Fiscal Health

Your guide to Social Security, retirement and financial well-being

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FISCAL HEALTH

Easy ways to save some money on travel

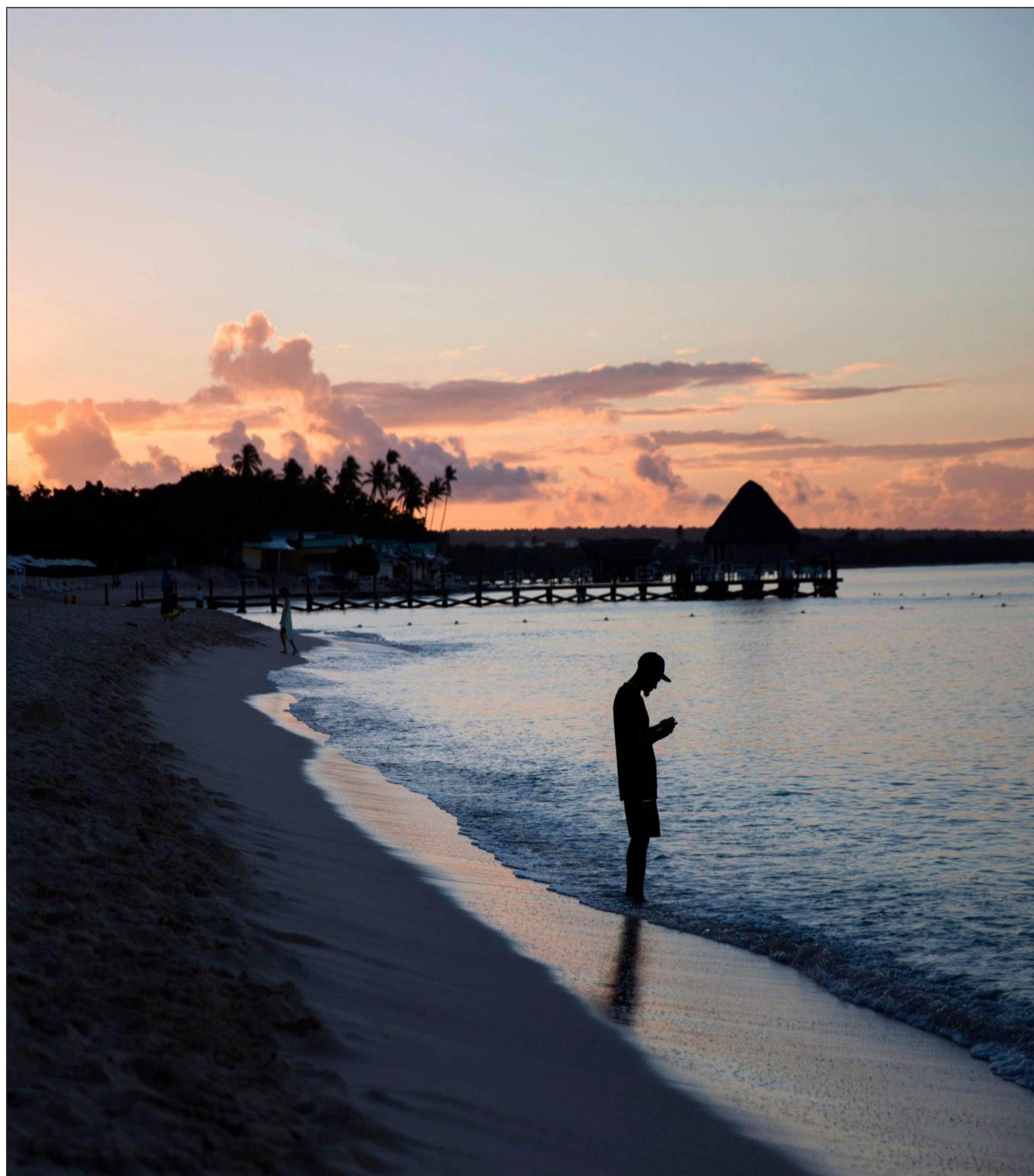


PHOTO BY ERIKA SANTELICES — AFP VIA GETTY IMAGES

When traveling and staying a hotel, be sure to check out their loyalty programs as a way to save money.

Many people are feeling the pinch of a higher cost of living, as prices for everything from food to gasoline to utilities have increased over the last few years.

Some individuals are being much more budget-conscious and scaling back their discretionary spending. Travel may have fallen victim to this perfect storm of rising costs and personal financial austerity.

Rather than giving up travel altogether, which can be a detriment to personal health and well-being, individuals concerned about vacation costs can look to ways to save some money, including:

▪ Avoid checked-bag fees. Packing light can help travelers avoid paying extra for checked baggage or overage fees on heavy suitcases. Maximize space in carry-ons so you won't need to confront higher costs at the airport.

▪ Use a flight search aggregator. Sites like Google Flights will pull together several flight options based on the criteria entered. This helps customers figure out where they can get the best deals on flights. Flying out of an airport that's a little further away may help travelers save some money.

▪ Travel off-season. Avoiding peak seasons for certain desirable destinations will help travelers save on everything from transportation to accommodations. Furthermore, tourists will be less plentiful when the season isn't at its peak.

▪ Travel at off-peak times. Similar to traveling off-season, try booking trips earlier in the week, as Monday, Tuesday and Wednesday could translate to better deals on flights and hotel rooms.

▪ Utilize a mileage credit card. Credit cards often have built-in perks. Some give cash-back on a percentage of money spent while others geared toward travel may offer airline mileage or discounts on hotels or resorts. For those who will be spending anyway, it can pay to use a card that will reward that spending on travel.

▪ Sign up for a loyalty program. Hotel chains may waive certain fees for loyalty members. Often loyalty clubs are simple to sign up for and include perks like extended check-in or check-out times, meal vouchers or even discounted rates.

▪ Consider an Airbnb. The debate over the merits of a traditional hotel or an Airbnb continues. While one is not inherently cheaper than the other, an Airbnb could be a better bet for large families or those traveling with extra people. That's because Airbnb lodgings may have extra square footage that prevents the need to secure two or more hotel rooms. Also, being able to cook some meals on-premises will reduce dining expenses in the long run.

— By Metro Editorial Services

FISCAL HEALTH

CAROLYN VAN HOUTEN — THE WASHINGTON POST

Snow blankets a neighborhood in 2022.

The easy way to save up to 20% on your heating bill

By Allyson Chiu
The Washington Post

With temperatures dipping in many parts of the country, people are probably bracing for their utility bills to climb as they crank up the heat in their homes.

Experts say a drafty building can be one of the main reasons it costs more to keep your home comfortable during the winter. While major energy savings will come from upgrading windows and doors, improving insulation and ambitious retrofits to replace outdated HVAC systems and ducts, there are simple steps you can take to plug up the leaks in your home.

Buildings lose a significant amount of energy from air traveling in or out through cracks in walls, poorly sealed or underperforming windows and doors, and aging caulking, said John Fernandez, director of the MIT Environmental Solutions Initiative. Depending on what you do, sealing up your home, which can be accomplished with do-it-yourself projects, could result in energy savings of 5% to 20%, according to the Energy Department.

"The absolute smartest, greatest return on investment, easiest, least expensive way to lower your energy cost is to make sure that the exterior wall of your house or your residence or your office building is performing as well as it possibly can," Fernandez said.

Assess your home

Before tackling any projects, experts recommend starting with some level of home assessment.

The easiest first step is a visual inspection, Fernandez said. You can look for cracks, holes or spaces in the walls and gaps around doors or windows where air can move in or out. You can also find leaks by turning

PHOTO COURTESY OF METRO CREATIVE CONNECTION

Smart thermostats are increasingly common in homes worldwide – and for good reason.

on your kitchen and bathroom exhaust fans, creating a slight pressure differential between indoors and outdoors, then holding up a lit incense stick to potential problem areas. If the smoke wavers or blows in one direction, there could be a draft that needs to be addressed.

But if you're unsure of what to look for or want a more detailed review of your home, experts recommend bringing in a professional. A $150 tax credit can be used for an energy audit, said Carlos Martin, a researcher at the Harvard Joint Center for Housing Studies. Many utilities will also provide the service free.

Plugging the leaks

Ensuring your home is tightly sealed is one approach to shielding buildings from outside elements — a process known as weatherization, said Rohini Srivastava, a senior researcher in the buildings program at the American Council for an Energy-Efficient Economy.

"You can think about weatherization as a protective layer around your house, which helps make you comfortable inside the home or building," Srivastava said.

Weatherstripping and caulking are two of the most effective and simple air-sealing techniques that can be used to reduce the amount of air that leaks in and out of your home, according to the Energy Department. The agency estimates that weatherstripping can result in energy savings of 5% to 10%, while caulking could save 10% to 20%.

Use weatherstripping for cracks around structural elements of your home that move, such as doors and operable windows. The Energy Department recommends choosing a type of weatherstripping that will withstand the friction, weather, temperature changes, and wear and tear associated with where you're applying the material.

If you're trying to plug small gaps in parts of your home that don't move, caulking is the recommended approach. The Energy Department provides step-by-step online guides for caulking and weatherstripping projects.

While experts note that a significant amount of household heating and cooling — 25% to 30%, according to the Energy Department — can be lost through windows, some cautioned against addressing the problem with quick fixes, such as films or other glass treatments.

"It's not going to hurt, but it's not going to be particularly helpful for you, so I wouldn't waste the money on that," Martin said. "I would just as soon invest in a really good curtain."

Next steps

Keep in mind that while these small repairs can be effective, it's important to consider investing in bigger home improvement projects, such as upgrading insulation, replacing old doors and windows, and installing more efficient HVAC systems or heat pumps, Martin said. These investments, many of which are or could become eligible for tax credits and rebates, will also provide energy-saving benefits during hotter months, he added.

But tackling simple weatherization tasks is "absolutely the first step to take before you do anything else," Fernandez said.

"The last thing you want to do is have a really high-efficiency, low-carbon system that's just pumping heat or air conditioning into a building that's just leaking," he said.

Sarah Kaplan contributed to this report.

FISCAL HEALTH

Checking into a hotel? Prepare for hefty fees and deposits

By Andrea Sachs
The Washington Post

PHOTO COURTESY OF CITIZENM

Check hotel policies to know what extra fees you may incur.

According to the American Hotel and Lodging Association, roughly 6% of U.S. properties exact a mandatory fee that hotels claim covers a grab bag of perks, such as Wi-Fi, bike rental, fitness center or a food and beverage "credit." Yet, the fee seems inescapable in many vacation destinations and is just one more financial burden placed on guests at check-in.

Hotels pile on so many charges, you might feel like you need an accountant to decipher your bill. In addition to the room rate, there may be a bundle of city, state and local taxes, plus a resort fee, which goes by many names and is also taxed. During check-in, the front desk employee will place a hold on your credit card for incidentals. The amount can range from a couple of Jacksons to hundreds of dollars per night. Guests with credit cards won't feel the pinch, but people who use debit cards cannot access that amount during their stay and may need to be careful with their expenditures.

As long as you don't trash your room or drain the minibar without paying, you will get the money back. This is not the case with resort fees. Even if you don't use the Wi-Fi, bike, fitness center or credit, you're still stuck with the fee.

"We can perceive both of these as friction points and annoyances for the hotel guest," said Mehmet Erdem, a professor of hospitality at the University of Nevada at Las Vegas, "though technically they're separate accounting-wise and procedural."

Fees by many names

Like a shifty character in a true-crime novel, the fee often hides in the shadows and goes by several aliases, such as resort, amenity, facility or destination. Some hotels also tack on a "room safe fee," though the charge for having a safety box in your room is significantly less (a couple of dollars a day) than the amenity fee (according to an analysis commissioned by AHLA, an average $26 per night).

Chekitan Dev, a professor at Cornell University's Nolan School of Hotel Administration, dates the current incarnation to 1997. Nearly two decades later, Lauren Wolfe founded Kill Resort Fees after a Key West hotel refused to hand over her room key until she forked over an extra $20.

"Over a decade ago, we started to see resort fees in places like Hawaii, and then they started to creep into places like Las Vegas," Wolfe said. "Then it spread like wildfire."

This summer, Wolfe turned up the heat as chief legal officer for Travelers United, a consumer advocacy group. In August, the nonprofit organization sued Hyatt and Sonesta Hotels, alleging false advertising and deceptive fees. The following month, it filed a class-action lawsuit against Hilton.

"These hotels are not paying attention to any sort of law in their state, whether it be basic advertising laws that protect consumers from unfair, deceptive practices or alcohol laws that forbid people from essentially being forced to buy alcohol," said Wolfe, referring to properties that include a cocktail in their resort fee.

Since 2019, state attorneys general in a handful of states and D.C. have been suing some of the world's biggest hotel chains for allegedly violating consumer protection laws. Some of the cases are still ongoing, such as Nebraska and Hilton and D.C. and Marriott. Others have been settled, such as the lawsuit that pitted attorneys general in Colorado, Oregon, Pennsylvania and Texas against Choice Hotels. As part of the September deal, the chain agreed to disclose all mandatory fees on the first page of its booking website and include them in the total price.

State and federal legislators also have started tackling junk fees. In July, two U.S. senators introduced the bipartisan Hotel Fees Transparency Act. In October, California passed a pair of similar bills, including a law that will ban the hotel industry's deceptive practice of drip pricing, in which companies list a partial price and does not reveal additional charges until later in the purchasing process. It goes into effect next July. Last year, the Biden administration called out these fees and rallied government agencies, Congress and the private sector to curtail the unfair practice. In October, the president revisited the issue, introducing a proposed Federal Trade Commission law that will require businesses, including hotels, to be upfront with their prices.

"I think if the pressure from the government and

the regulations and the state attorney general offices and the lawsuits creates enough of a headache, then the industry will do something collectively about it," Erdem said.

What hotels aren't talking about

The American Hotel and Lodging Association as well as individual hotels, such as Hilton, have expressed their support for legislation that requires transparency in pricing. However, the conversation about resort fees seems be ignoring some glaring issues.

For one, the hotels are forcing guests to pay for services or perks that they might not want or need. (When was the last time you made a long-distance phone call on a hotel room phone?) On their websites, most properties bury the list of amenities associated with the fee, so consumers have to pick through the small print. Even when they find it, the descriptions can be indecipherable. Finally, a mystery surrounds the number itself.

In a sampling of hotels in Washington, the amenity fee with tax ran the gamut, from zero (Citizen M, the Jefferson, Conrad Washington) to $23.19 (Washington Hilton), $28.99 (Marriott Marquis) and about $35 (the George, Yotel). The incidentals and security deposit was equally vast, ranging from $50 at the Days Inn to $200 at Hotel Washington.

Travelers might discover higher charges in swankier destinations or at luxurious properties with fancy decor. At the Aria, on the Las Vegas Strip, the resort fee is $51 and the incidental hold runs from $150 for a standard room to $500 for a villa. Grand Beach Hotel Surfside in Florida hits guests with a $64.38 resort fee; the credit card hold is kinder, at $100 a night.

The hotels contacted for comment declined to explain the calculations. One can only guess the financial outlay for, say, printing assistance at the front desk, a downloadable self-guided walking tour or a pool chair.

SOUTH FLORIDA SUN-SENTINEL

Experts advise to ask about extra fees before booking.

"It's a black box, let's-see-what sticks approach," said Dev, adding that hotels typically consider supply, demand and competition when formulating the fee.

During a trip to New York City, the professor could not fathom why the Even Hotel in Times Square charged $25 for what he called "overpriced and useless amenities." He and his wife passed on the Citi Bike passes ("I'd have to have a death wish"), local and long-distance calls ("This is a joke"), package handling ("Huh?") and laundry credit ("With the average stay being one to two nights, my garment might not make it back.").

They did, however, take advantage of the free welcome drink: two bottles of water valued at $2.

To avoid fees, ask nicely then contact an attorney general

It's not hopeless. You can dodge resort fees.

First, use your purchasing power. A NerdWallet analysis singled out the hotels with the highest average fees relative to room rate. Wyndham ranked first, with fees costing $30 and $50 per night, followed by Hyatt, IHG, Hilton and Marriott. Best Western, which is not really known as a playground of perks, came in last, with the lowest fee.

You can also shop around for fee-free hotels. Kill Resort Fee's lists hotels with fees in 15 destinations, so avoid those. (Look under "Offenders.") In our D.C. sample, more than half did not charge a resort fee. On Surfjack's website, the hotel promotes its lack of fees. A pop-up box exclaims, "Wipe out fees!"

"We are definitely seeing a trend of hotels distinguishing themselves by not offering them at all," said Sally French, lead writer with NerdWallet.

If you are a loyalty hotel member, you can avoid the fees by booking with points, depending on the program's policy.

Also, the higher up you go on the status pole, the fewer extraneous fees you will have to pay. Some travel credit cards will also reimburse resort fees.

In your kindest voice, you can also ask the front desk to remove the fee, especially if an amenity or service is not available during your stay.

"If you're checking in at 11 p.m. and checking out at 7 the next morning and you're just using the hotel as a place to sleep, maybe that hypothetical trolley ride doesn't even run during that period," said French, referring to a perk at the Marriott Marquis. "It doesn't hurt to tell the desk there was no way you could have taken that trolley ride and ask them to waive the resort fee."

Wolfe does not recommend pushing the issue. After two times, she says to quit. The next step is to send your complaint to the attorney general who serves your home state or the hotel's. You can only pick one, so choose the location with the strongest consumer protection laws.

"In Washington, D.C., it works great," she said, "but it does not work in states where the attorneys general are not taking this issue seriously. A good example would be Nevada. We have not yet heard of one person having success with them."

FISCAL HEALTH

4 tips for speeding through the rental car counter

By Heidi Pérez-Moreno
The Washington Post

Before you even make it to the rental car counter, doing your own homework can make the experience move faster.

Bringing accurate and valid documentation, reading up on your agency's policies and making a reservation in advance will all help you avoid delays once it's your turn. But despite your best efforts, long lines and slow service are still common, especially during busy travel seasons like the summer and December holidays. Airport rental locations are the worst, seeing greater foot traffic in comparison to neighborhood locations, according to AAA Club Alliance Auto Travel Manager Tara Raffaele-Castner.

There are several ways to shorten — or in some cases, skip — the waits, such as signing up for a rental agency's loyalty program or reserving your vehicle in advance. If you don't take these measures, you may feel stuck.

"This is especially true for those who are new to renting or don't rent that often," she said. "Once you're faced with a long line, and you haven't prepaid or signed up for a loyalty program, you really just have to wait."

You should also be aware that walking into an agency that is low on cars, or completely out, can stymie even the most prepared guest. Michael Wilmering, public relations manager for Enterprise Rent-A-Car, acknowledged there are "rare" occasions where branch locations run into supply issues. Renters might not bring back their vehicles on time, or cars could return damaged. Industry-wide fleet shortages, mostly driven by a lack of semiconductor chips, have also contributed to this over the years.

"We make every effort to ensure our customers are given the vehicle they've reserved, and we are able to meet this expectation in the vast majority of our customer transactions," Wilmering said in an email.

Many of the programs and policies aimed to expedite renting a car can be found on the FAQ and informational pages for rental agencies. We collected tips from travel experts and the agencies themselves on how to avoid long waits and walk out with the car you prefer.

1. Sign up for a loyalty program

Car rental companies love it when you come back to them, so many major agencies will pad their loyalty programs with perks like advanced check-ins, free car upgrades and points that could go toward free rentals.

Some programs even let you skip lines altogether, such as Avis Preferred, Budget Fastbreak and Hertz Gold Plus Rewards. Laura Smith, vice president for sales and customer experience at Hertz, said customers can usually go straight to the agency's inventory to pick out their preferred car, where they can weigh any number of options based on the vehicle's size, condition and model.

If you're in a loyalty program that lets you skip the line, you may only have to present your driver's license before walking away from the counter with a set of keys.

"That can be a really great time-saver, and [our] program is available at no cost," Smith said. "There's lots of other benefits, but from a time perspective, we'd say that's key."

JOE RAEDLE — GETTY IMAGES

Hertz announced that it ordered 100,000 Teslas as the company is emerging from bankruptcy.

2. Pay for your vehicle in advance

Agencies and experts swear by paying in advance for rental cars.

The deal is already locked in. You're more likely to avoid the last-minute panic if an agency's fleet is running low because you'll have priority over customers who didn't pay in advance. Since you've already paid, it's also likely that you won't run into surprise fees associated with your rental, Smith said.

When you pay for your vehicle in advance, you can also book during a time that is less busy and expensive. During these low-demand periods, you're also more likely to lock in a lower price for trips planned during busier seasons, because you've already booked far ahead. Raffaele-Castner recommends booking on weekdays and slower travel periods, such as fall and winter seasons.

She added that most companies offer and encourage paying for a car in advance; the only caveat is that advance payments are usually nonrefundable. Some car rental agencies, including Hertz, allow you to include your flight number, airline carrier and scheduled arrival time, and the companies will be made aware of any flight changes, Smith said.

"This can be really important to protect the reservation if the flight is delayed," she said.

3. Think about booking with a travel agent

Whether you're a seasoned rental car aficionado

PHOTO BY PASCAL POCHARD-CASABIANCA — AFP VIA GETTY IMAGES

Tourists walk to get their rental car. Bundling travel can seem to save you money on the surface, but it's not always the best booking practice.

or have never booked one, having a travel agent can help you sort through paperwork and policies and give you a breakdown of what to expect once you get to the line.

Agents can go over whether you should bring your credit or debit card, if there's a rental fee for someone under 25 or even foresee the best times to book and pick your car up. A travel agent will go over every step of the process, and although this can be a more costly option, it could help you find certain loyalty programs, discounts and tricks.

A travel agent can walk you through travel insurance options and what vehicle class and model would best serve your trip based on the destination, the size of your group and your overall budget.

"It can really just help you avoid issues — big and small — that you might run into when booking on your own," Raffaele-Castner said.

4. Know what your insurance already covers

When you make your way to the rental car counter, you might be asked if you'd like to purchase the agency's rental insurance. During previous trips, Caroline Morse Teel, executive editor at SmarterTravel, said some rental agencies have required her to take their insurance.

In these cases, Morse Teel recommends shopping around different travel insurance options and seeing which ones are compatible for you and the rental agency. You should be looking into what coverage is offered, such as whether you'll be protected from car theft, damage to you and others involved and injuries, as well.

Morse Teel also recommends looking into whether your credit card company or personal car insurance already offers rental car protection. You can find your credit card coverage in your benefits guide, usually listed online. Most will cover theft and personal damage in a car crash, but some don't cover damage to other vehicles involved, she said.

You can also buy this protection from third-party agencies before your rental, with companies like Allianz Global Assistance and Bonzah.

FISCAL HEALTH

E. JASON WAMBSGANS — CHICAGO TRIBUNE

Leslé Honoré chats during one of her regular video calls with her female college friends at her home on Dec. 4.

How to talk to friends about money troubles

By Erin Lowry
Bloomberg Opinion

Millennials and Gen Z seem to be more comfortable talking about money than older generations. Or at least the TikTok and Instagram trends would indicate as much. If you're a member of one of those cohorts, I wouldn't be surprised if you've had conversations with friends about whether to buy Bitcoin, your plans for buying a home and what's the right way to save for retirement.

Still, we all probably have those friends who don't like discussing money matters — even when we think they should. Say your friend is a financial train wreck. They talk about credit card debt as if it's expected, worry about moving or trying to buy a home because of bad credit or just generally seem to spend a lot for the salary you think they probably earn.

You've tried all kinds of things to help, from giving them personal finance books to recommending podcasts to outright offering advice. Yet nothing changes. What's a pal to do?

Although I've written a book on navigating awkward financial conversations, my stance here is to leave well enough alone. Unless your friend's financial life is directly impacting your own, it is not your business how they handle — or don't handle — their money.

You can't force someone to get their financial life together. So resist the urge to course-correct their behavior and instead focus on playing the role of sounding board. Let your friend know that you're there for support should they eventually want your advice.

Here are a few strategies to negate that desire to meddle, or to set boundaries, if that's what's needed.

Use their conversation starters to share your own journey

We routinely speak in coded language about money. A comment about waiting to have a sec-

ond child until the first is in kindergarten is probably more about the cost of child care than the desire for a five-year age gap. Lamenting about an influx of wedding invites is likely not a humble brag about popularity but simply anxiety about a dwindling savings account.

When you're worried about a friend's financial health and want to share some of your own journey, these moments can be used to naturally segue into the topic of money — if done with grace and tact.

For example, if a friend is fretting about too many weddings to attend and mentions the costs, you can reassure them by sharing your own stories about missteps and difficult decisions. Maybe you remember using a credit card to finance being in a friend's wedding because it was awkward to say "no," only to end up in debt (it happens).

Or maybe you've suffered friends' disappointment after telling them you couldn't afford to attend their nuptials. One study found that citing money as a reason to not attend a wedding is more palatable to a bride or groom than simply saying you don't have time.

Sharing such experiences can help normalize that mistakes happen and that some expenses can be out of reach. Just don't let these conversations turn into lectures.

JOE RAEDLE — GETTY IMAGES

Use kindness and caution when talking with friends abour money.

There is one acceptable time to talk to your friends about their finances: when you're asked for it

If a friend does seek out your thoughts, be open about the strategies and methods that worked (and didn't work) for you, as well as the resources you've found educational and inspiring. Don't be dismissive of their emotional baggage when it comes to money and make sure they know it's OK to falter on the road to financial health, but that the key is to keep trying.

I'd caution against wading into investing advice outside of some basics on getting a 401(k) started or understanding how to open a brokerage account. No one wants to be responsible for a friend losing money in the market. Instead, point them to resources that have helped you on your investing journey.

Set healthy boundaries

The most challenging aspect of having a friend who mishandles finances is learning to set the right boundaries.

If you're being treated as an ATM or are just tired of hearing your friend complain about being broke without taking steps toward changing — it's time to draw some firm lines. Statements such as these below can be helpful:

"I know that you're in a tough spot financially right now, but I'm sorry, I can't continue to loan you money. It's beginning to damage our friendship. I would be happy to help in other ways if you're open to it, but I can no longer give you money."

"You know I respect you and value our friendship, but I honestly can't keep repeating this conversation about your finances. I want to help you make an action plan to start taking steps to improve. I'd be happy to help if you get books and resources that have helped me."

Yes, your friend may get defensive, pick a fight or even bring up times they've helped you. But it's important to stand firm on your boundaries and provide other, educational resources to your friend.

That's the only way to ensure you both end up working toward feeling financially healthy.

The more you openly discuss money, the more likely people will ask you questions or seek your guidance.

Being straightforward about financial pressures and anxieties, being open about mistakes and sharing how you overcame challenges can make it easier for others to share their experiences, too.

FISCAL HEALTH

Stock market surges into 2024, shrugging off recession fears

By Aaron Gregg
The Washington Post

A year that many experts believed could end with a recession and rising unemployment instead concluded with a surging stock market and enthusiasm about the economy, as a combination of Big Tech and consumer sentiment sent financial markets barreling into 2024.

The S&P 500, a market-tracking index that underpins the retirement fortunes of millions of Americans, gained nearly 25% in 2023, far more than analysts had expected at the beginning of the year. "Nobody was calling for 20% last January. ... I mean nobody," said Michael Farr of the D.C.-based investment firm Farr, Miller & Washington.

The Dow Jones Industrial Average surpassed its earlier record and gained more than 13%.

But it was the technology-heavy Nasdaq composite index, led by a group of elite tech firms dubbed "the Magnificent Seven," that truly wowed Wall Street, gaining more than 40% for the year. Those same stocks had borne the brunt of a historic sell-off the year before when the Federal Reserve began raising interest rates, and they started the year on cautious footing as a recession seemed imminent. Instead, the economy remained stable, bolstering their investment prospects just in time for an explosion of investor attention around artificial intelligence.

Most of the stock market gains came in the final months of the year when a slew of new data seemed to confirm once and for all that the Fed's goal of a "soft landing" □ shorthand for bringing inflation down without breaking the economy □ might be in sight.

The recession that wasn't

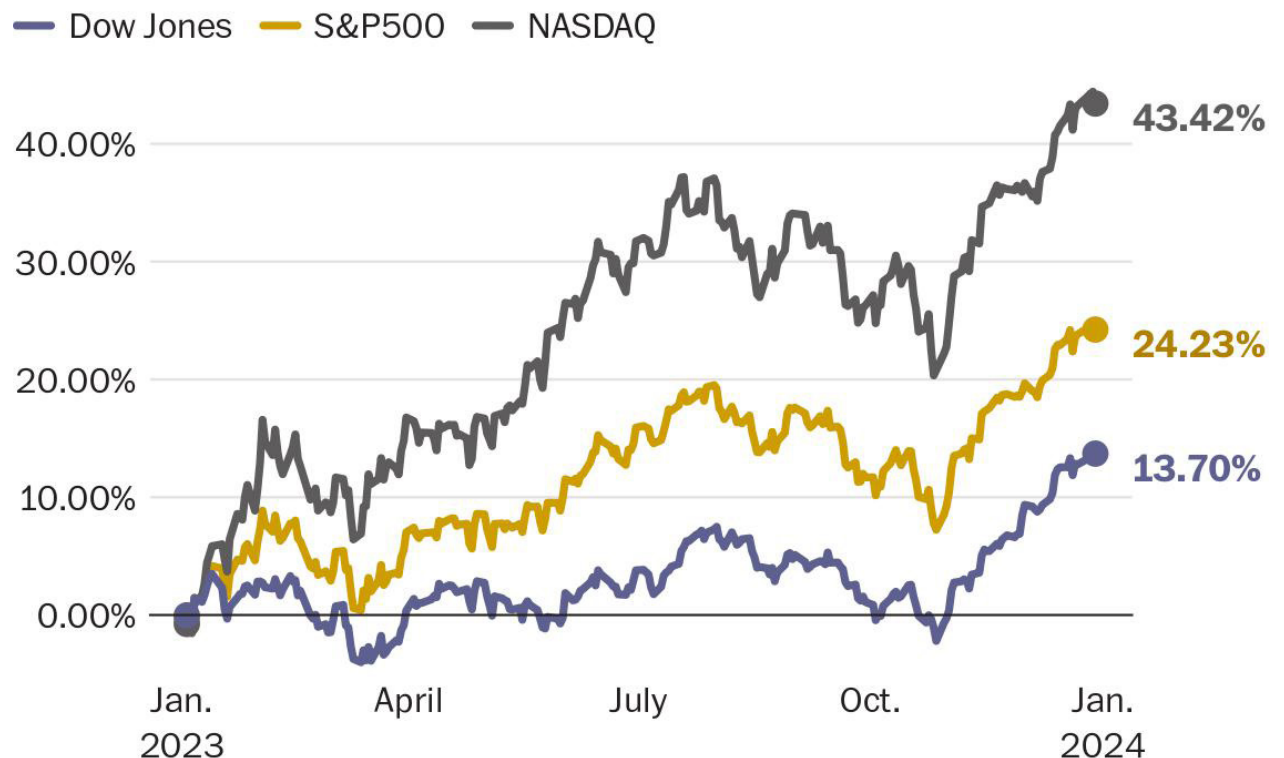
Since March 2022, the central bank has steadily dialed up its benchmark interest rate to its highest level in 22 years, now at 5.25% to 5.5%. Higher rates quash inflation because they force consumers and businesses to cut spending, the theory goes.

Inflation did ultimately fall, but the rate-raising campaign also came with a cost. New mortgages became less affordable, shutting many out of homeownership. Businesses that relied on loans had to dial back expansion.

A persistent fear among some investors was that the central bank would go too far with its rate hikes, slowing the economy too much in its zeal to bring prices down. Markets repeatedly sold off in 2022 as investors anticipated the Fed's moves. Taking some of the worst losses was the tech sector, whose riskier, growth-oriented business model makes it more vulnerable to shocks, even minor changes in interest rates. The Nasdaq index lost a third of its value.

Percent change in major stock market indexes, 2023

The tech-heavy Nasdaq carried the stock market, led by the Magnificent 7 tech stocks



GRAPHIC COURTESY OF THE WASHINGTON POST

At the start of 2023, analysts saw a 65% chance that the year would see a recession, according to a consensus estimate referenced by Goldman Sachs.

Instead, the latest economic data suggests that higher rates are having the desired impact against inflation without the worst side effects. Inflation has come down faster than expected, clocking in at 3.1% in November. That's a far cry from its June 2022 peak of 9.1% and within sight of the Fed's 2% goal. (The Fed's preferred measure of inflation came in even lower, at 2.6% in November compared with the year before.)

Meanwhile, the labor market has moderated without cratering. Overall job growth has slowed from an average of 240,000 new jobs each month to 199,000 in November, while the unemployment rate that month stood at 3.7%. In fact, the unemployment rate has stayed below 4% for two years, which was last achieved in the 1960s.

Consumer spending has also held up. Fresh Mastercard data shows Americans spent their way through the holidays despite rising consumer debt and the lingering bite of inflation, with online spending up 6.3%.

Even the global banking crisis, which rattled markets in March and April after a bank run forced Silicon Valley Bank to close its doors, failed to induce a broader collapse of the financial system.

Wedbush senior analyst Dan Ives estimates that around 50% of the tech

RICHARD DREW — THE ASSOCIATED PRESS

A pair of traders work on the floor of the New York Stock Exchange.

sector's gains in 2023 stem from the Fed's success in getting inflation under control — which in turn has raised expectations that the central bank will cut rates in 2024.

The other half reflects investors' search for opportunities related to AI, creating "a perfect storm for the tech bulls," Ives added.

An AI-fueled bounce-back

The year began with mass layoffs.

Amazon slashed around 27,000 jobs, citing an "uncertain economy." Google's parent company, Alphabet, announced in mid-January that it would cut around 12,000 jobs, more than at any point in its history, with chief executive Sundar Pichai saying it had "hired for a different economic reality than the one we face today." Microsoft cut 10,000 jobs amid warnings from chief executive Satya Nadella that consumers were cutting spending and corporate customers were bracing for a recession.

(Amazon founder Jeff Bezos owns The Washington Post, and the newspaper's interim CEO, Patty Stonesifer, sits on Amazon's board.)

Driving those cuts was a perception on Wall Street that the largest tech firms were bloated moneymaking giants with questionable growth prospects, akin to the railroad or steel conglomerates of decades past, said investor and stock trader Tom Essaye, founder of Sevens Report Research.

In addition, the tech companies "aggressively built in 2021 and 2022, and the demand they thought they were building for didn't come through," Evercore ISI senior managing director Mark Mahaney said.

As the year unfolded, however, demand for those companies' services, like advertising and online retail, held up better than expected, Mahaney noted, while their balance sheets were strong after a season of cost-cutting.

A subsequent spate of healthy earnings brought investors back to the tech sector.

Against that backdrop, the AI boom reaped fortunes for a few leading firms, leading to a literal renaming of the top tier of tech players. These heavy hitters are now known as the Magnificent Seven: Google, Meta, Apple, Amazon, Microsoft, Tesla, and the latest newcomer, Nvidia.

Nvidia has been one of the biggest AI winners after it was revealed in May that one of its computer chips had trained ChatGPT, the AI language model that has wowed users with its ability to solve problems and imitate human speech. The company's share price spiked higher on that news and is now up nearly 240% from the start of the year.

But it's not the only tech company that has ChatGPT and its creator, OpenAI, to thank for massive stock price gains. Microsoft, which invested $10 billion in OpenAI in January, has seen its stock rise more than 50% this year — increasing 13% alone in the month after its OpenAI investment was first reported.

Some analysts believe the attention surrounding AI has already transformed investors' broader view of the tech sector, even for companies that don't have any AI-enabled products.

"Artificial intelligence represents a new potential growth frontier for these companies," Essaye said. "Regardless of whether your company is benefiting from AI, there is a favorable market reaction.

This is it, and they're piling into it."

How soon those investments will bear fruit is another question. ChatGPT wowed the world with its ability to imitate human speech and thought patterns, but the business case moving forward is less clear, Essaye noted.

With tech, "the proof has to start showing up," Essaye said. "And because [the Magnificent Seven] are such a big part of the S&P 500, if they begin to underperform, they will act as an anchor on the market regardless of what else happens."

Eli Tan contributed to this report.

FISCAL HEALTH

Flawed U.S. home-loan system neglects buyers who need it most

By Heather Perlberg and Noah Buhayar
Bloomberg

The tiny town of Drew, Mississippi, has been left behind by the modern economy. Most businesses along its lone main street are shuttered, so it's hard to buy a cup of coffee or groceries. Stray dogs zigzag through ragged yards, surrounding dilapidated homes that sit abandoned or in barely livable condition.

Money comes easy in some neighborhoods, dotted by plantation homes that have been passed down for generations. But it's difficult to find banks willing to give home loans to the low-income, Black residents who make up the majority of the population — a flaw in a U.S. government-backed lending system meant to help aspiring buyers in communities like these.

James Green, a heavy-machine operator for Sunflower County, tried for more than a decade to get a mortgage in Drew. Regions Bank, one of the biggest lenders in the South and where he kept his money, denied his loan application three times, he said, telling him his credit scored too low. Two other banks said the same. It wasn't until Hope Credit Union, a Black-owned, community-focused lender, came to town that Green could finally buy a house at the age of 48.

BLOOMBERG PHOTO BY RORY DOYLE

James Green and his wife, Teresa, stand outside their home.

"I just made my first mortgage payment on August 1," Green said. "My wife broke down crying on the phone when we paid that $601.25 — tears of joy after all the hurdles and hoops I had to jump."

There's a key difference between Hope and giants such as Regions: their access to Federal Home Loan Banks. These 11 institutions sit atop a $1.4 trillion system with a stated mission of supporting affordable housing and community development. But this system is tilted more toward big U.S. banks and insurers that borrow billions of dollars — for uses that often have nothing to do with mortgage lending — than smaller, community-focused lenders that help support homebuying for low-income Americans.

Across the country, large banks are creating fewer homeownership opportunities per dollar that they borrow from the FHLBs than small banks and mission-driven lenders known as Community Development Financial Institutions, according to a Bloomberg News analysis of more than 5,700 bank and credit union members. Community banks and CDFIs devoted more of their home lending to low- and moderate-income census tracts than larger institutions in every year from 2018 to 2022.

At the same time, these smaller lenders can face constraints in how much they can tap from the home loan banks. And they often pay more for the help they do get, because they're viewed as riskier borrowers.

The divergence is more pressing now than ever as the U.S. struggles with an affordable housing crisis and the FHLBs themselves come under increased scrutiny. The institutions, created to shore up the mortgage market during the Great Depression, have strayed from those roots to become a go-to for big firms in need of quick cash at cheap rates. That includes billions of dollars in financial support to now-failed companies such as Silicon Valley Bank, known for catering to tech entrepreneurs and venture capitalists, and Signature Bank, which had clients including crypto platforms.

"In so many ways, it's the small institutions that really are the critical resources in the lives of their communities," said Michael Stegman, a nonresident fellow at the Urban Institute and housing policy adviser to the Obama administration, who has advocated for reforming the FHLB system. They "are closer to the historical mission of the home-loan banks."

The FHLBs take many factors into consideration when making lending decisions, including credit ratings and collateral, so they can run safe institutions, said Ryan Donovan, chief executive officer of the Council of Federal Home Loan Banks. He said they depend on policies set by the Federal Housing Finance Agency, which oversees the institutions.

"CDFIs present a unique

BLOOMBERG PHOTO BY RORY DOYLE

An abandoned home.

risk profile and are rated differently from a credit perspective based on FHFA guidance," Donovan said in an interview.

"There's a lot of focus in our discussions with them on affordable housing and community investment," Winthrop Watson, CEO of the Pittsburgh FHLB, said of the talks with regulators during an interview with Bloomberg last month. "We can do more on that front that could really add significantly to our franchise."

FHLBs use special tax breaks and government support to raise funds cheaply in bond markets. They then pass along low rates to the banks, credit unions and insurance companies that make up the bulk of their membership.

Larger banks are given more leeway by the FHLBs for borrowing money since they are seen as more financially sound. Instead of strict collateral requirements, they can often get a broader lien on their books. CDFIs typically face higher borrowing costs and often make other types of loans to help their communities that can't be pledged to borrow from the FHLBs, according to interviews with more than a dozen such lenders, current and former government officials and employees of the system. The difference in treatment is so stark that in some cases large private banks offer community lenders better access to capital than the FHLBs themselves.

Regulators require banks to invest and provide services for low- and moderate-income Americans, and one of the ways they can meet these conditions is by giving credit to CDFIs. But unlike the government-subsidized FHLBs, the big banks often aren't able to offer the lowest rates and options for long-term funds, which are needed for mortgage lending.

Community lenders are often the only path to homeownership for people like Tara Carmichael, an ultrasound tech in Newark, Ohio, who said she was for years unable to get a loan with traditional banks in her area. The mother of four went to TrueCore Federal Credit Union, which advised her how to bring up a 580 credit score. A year later, Carmichael's score was 685 and she got a mortgage with TrueCore to buy her first home.

"They told me which credit cards to pay down, which ones to cut up," said Carmichael, 43. "They seem more willing to give people with lower credit a chance."

TrueCore gives around 70% of its mortgages to lower-income borrowers. Many investors aren't willing to buy these loans, deeming them too risky, so the company must keep the debt on its books. With that money tied up, it's harder to issue new loans.

The lender has a $43 million line of credit from the Federal Home Loan Bank of Cincinnati but can only pledge single-family mortgages as collateral. Auto loans, business loans and other assets aren't accepted. As a result, TrueCore mostly relies on the FHLB money to subsidize the home loans it has to hold on to, rather than for new mortgages, said CEO Jason Hall.

"I like the safety net that they provide," Hall said of FHLBs. "But I always look to get funds from our members first."

As a credit union, TrueCore is regulated. Other CDFIs don't take deposits and have less oversight. But even as these lenders have become a bigger force in financing housing for low-income and low-wealth communities, most have done so without taking excessive risk, according to Fitch Ratings. They generally have low loan delinquencies and strong financial profiles, the credit agency said in a May report.

In Mississippi, which has the highest poverty rate in the nation, CDFIs such as Hope are filling the gaps where even basic banking services are difficult to come by. But Hope is hamstrung by a relatively small line of credit — currently around $46 million — from the Dallas FHLB, according to a federal filing.

To draw from that, Hope typically has to pledge loans worth 25% more than what it borrows from the home loan bank. That gap is what's known as a "haircut," and the FHLBs impose it to make sure that they'll be made whole if a member defaults on an advance. These discounts can vary widely, but the haircut Hope faces is higher than the 19.8% discount the FHLBs applied to first-lien, single-family mortgages, on average, according to data FHFA compiled for Congress. That's despite the fact that Hope's mortgages have performed well, with a loss rate of 0.19% in 2022, according to the CDFI.

Regions, a unit of Birmingham, Alabama-based Regions Financial Corp., which has about $155 billion in assets, operates in many of the same counties. It had a $5 billion balance outstanding from the FHLB system at the end of June, and at other points in recent years had more than $8 billion in borrowing from the home loan banks. It can support these debt levels because its balance sheet is stuffed with the kinds of assets the FHLBs accept, including Treasuries and mortgage-backed securities.

But home-lending patterns for Regions and Hope couldn't be more different.

In parts of the Mississippi Delta where both banks have made mortgages, such as Leflore and Bolivar counties, immaculately maintained estates sit just a few miles from rundown "Katrina cottages," occupied almost entirely by Black residents renting homes in need of major repairs.

Unlike some of the heaviest borrowers from the home-loan banks, Regions is active in the mortgage business and makes substantially more in loans than it takes from the system. But federal disclosures show that the bank focuses on more affluent areas and lends predominantly in Mississippi to White home buyers. Regions made just a 10th of its home-purchase loans in low- and moderate-income census tracts during the past five years — a rate comparable to the broader industry. It directed 21% of loans to borrowers who identify as Black in a state with a Black population of nearly 40%.

Regions donated some Mississippi branches to Hope starting in 2015. Before that, the bank offered minimal financial services in Drew and the surrounding areas, locals say. Customers said they would often have to drive a half an hour or more to open a bank account or to find a location with a working ATM. "They started doing less and less," George Holland, the mayor of Moorhead, Miss., said of Regions. "Maybe once a week there'd be somebody here if you wanted to open a new account."

A lack of banking options in underserved areas can have a ripple effect: It's hard for people with little access to financial services to build credit history — thus making it even more difficult to get a mortgage. Mississippi has the highest percentage of people in the U.S. without bank accounts, according to the Consumer Financial Protection Bureau.

Jennifer Ardis Elmore, a Regions spokesperson, said the company is actively serving the Mississippi

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System

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Delta, including providing credit to people in low- and moderate-income areas. The bank chose to donate four properties to Hope because "a community partner was in a better position to maintain services in specific communities," and it made a $500,000 cash contribution to help with the lender's expansion, she said.

"When banks like Regions support CDFIs like Hope, we collectively create tremendous results for individuals and communities," she said, adding that it's misleading to directly compare the two different types of lenders.

Regions takes access to credit "very seriously" and wherever possible works with consumers who may not qualify for loans to help improve their financial strength, Ardis Elmore said. It also is involved in community engagement and philanthropic work to support organizations that serve people across the region, she said.

Part of what community lenders do is work with Americans who can't qualify for a home loan to improve their finances. They also keep loans affordable by eliminating mortgage insurance or other expenses. Since 2018, Hope has made more than 80% of its home loans in Mississippi to Black borrowers and lent in poorer areas at two-and-half times the rate of Regions, according to federal mortgage disclosures.

"We get people into homes so they can start building wealth," said Bill Bynum, Hope's CEO. "If the mission of home-loan banks is to promote affordable homeownership, they should be taking steps to make sure CDFIs are adequately capitalized and that there's flexibility. But we're perceived as higher risk."

Some smaller lenders and CDFIs opt out of joining the FHLB system altogether because the terms are prohibitive.

Homewise, a New Mexico-based CDFI, decided not to be a member of the Dallas FHLB after a meeting that determined the bank would lend Homewise 60 cents on the dollar, said CEO Mike Loftin. His CDFI issues up to $60 million in mortgages annually, mostly for first-time buyers.

"We'd be an obvious partner," Loftin said. "And we'd love to be able to reach people that we're not, but we can't afford that."

Instead, the CDFI borrows from big lenders including Bank of America, which offers a more reasonable collateral requirement — Homewise gets $1 for every $1 it pledges. But it pays a higher interest on the debt.

"We're strong as an institution and our lending record is good," Loftin said. "Just because we're focused on first-time home buyers and people who have been left behind historically, doesn't mean these aren't good borrowers."

More credit could go to small banks, said Dayin Zhang, an assistant professor of real estate and urban land economics at the University of Wisconsin at Madison School of Business. His research has shown that FHLB advances can dramatically help these small players in home lending and lower the interest rates consumers pay, without making riskier mortgages.

"We need small banks to be in the market," he said. "They're more responsive to local economic conditions."

Many residents in the Delta would agree. In an area where cash advances and predatory loans are advertised on big signs along rural highways and in the windows of gas stations, community lenders offer an opportunity for people to build financial profiles, and eventually wealth.

BLOOMBERG PHOTO BY RORY DOYLE

Dilapidated homes and shuttered buildings surround the streets of Drew, Mississippi.

Green, who bought the house in Drew, took out a $50,000 mortgage from Hope. His three-bedroom rancher is one he'd rented many years earlier and is rich with memories like his wife going into labor with their second daughter. Since becoming a homeowner, he has become something of an advocate, meeting with locals who want to learn more about the process of getting a mortgage.

"Now I can help others who want to own a home," said Green. "I want people to live they way I live."

Note on Methodology

Bloomberg News compiled information on more than 5,700 of the roughly 6,500 financial institutions listed by the Federal Housing Finance Agency as members of the Federal Home Loan Banks as of Dec. 31. Data on member advances and assets were collected from call reports filed with the Federal Financial Institutions Examination Council and the National Credit Union Administration for periods covering 2018 to 2022. The amount of advances were averaged for each year and over the five years. Only banks and credit unions that reported in all periods were included. Because institutions report quarterly, it's possible these averages don't reflect the full extent of their draws on the system. Bloomberg then determined which FDIC-insured institutions had trailing three-year average assets under the $1.417 billion threshold required to be deemed a Community Financial Institution, and whether the member was certified by the U.S. Treasury Department as a Community Development Financial Institution.

To gauge how active FHLB members are in direct mortgage lending, Bloomberg analyzed Home Mortgage Disclosure Act records from the Consumer Financial Protection Bureau. Only loans made to individuals for the purpose of buying a home were included. Mortgages with non-amortizing features, refinancings and home-improvement loans were excluded.

The analysis doesn't capture the home-lending activity of FHLB members that didn't meet regulatory thresholds for reporting under HMDA. The share of lending in low- and moderate-income census tracts was calculated by dividing the total number of loans an institution made in tracts where median household income was below 80% of the area average by the total number of loans made in the period.

Bloomberg's Mathieu Benhamou contributed to this report.

FISCAL HEALTH

Steps to take before applying for a mortgage

A home is the single biggest purchase most people will ever make. That's perhaps become even more true in recent years when the cost of homes has increased dramatically.

The sticker price of a home may come as a shock to first-time buyers, but few homeowners purchase their homes in cash. Mortgages are a vital component of homeownership for the vast majority of buyers.

Mortgages are loans obtained through the conveyance of property as security. When homeowners pay off their mortgages, the title of the property officially transfers to them from their lenders.

Though most homeowners utilize mortgages to buy their homes, that does not mean the process is the same for everyone. A host of factors affect mortgage terms, and there's much prospective homeowners can do to secure the best agreement possible.

Mortgages enable millions of people to buy homes each year. Some simple steps before applying for a mortgage can help prospective homeowners secure the best terms, including:

▪ Recognize why a low-interest rate is important. Mortgage interest rates have drawn considerable attention in recent years, as rising inflation has led to rates that have reached their highest point in more than a decade. Even a seemingly small difference in interest rates can save or cost homeowners thousands of dollars, if not tens of thousands, over the course of a loan. For example, the financial experts at Bankrate.com note that the difference between a 5.5% interest rate and a 6% interest rate on a $200,000 mortgage is roughly $64 per month. That might not seem like a lot, but over the course of a 30-year mortgage, the borrower who gets the 6% loan will pay more than $23,000 more in interest than the borrower who secures the 5.5% loan. Recognition of the benefits of securing the lowest interest rate possible can motivate prospective buyers to do everything in their power to get a low rate.

▪ Work on your credit score. So how can borrowers get the best possible rate? One way to go about it is to improve credit scores. Average mortgage interest rates vary significantly by credit score, with higher scores earning borrowers significantly lower rates. By bolstering their credit scores before applying for a mortgage, prospective homeowners can improve their standing in the eyes of mortgage lenders, which can potentially save them tens of thousands of dollars over the life of the loan.

▪ Identify how much you want to spend. Prospective home buyers may be approved to borrow much more money than they think they will qualify for. That's because lenders do not consider factors like utilities, insurance, day care or other expenses everyone has. That means it's up to borrowers to determine how much those expenses will be, and how much they should be spending on a home. Though it might be tempting to borrow up to the amount lenders approve you for, in general it's best to stay below that amount so you can capably meet all of your additional obligations.

— By Metro Editorial Services

JOE RAEDLE — GETTY IMAGES

Whatever your motivation, paying down your mortgage ahead of time reduces the amount of interest you'll pay on the loan.

FISCAL HEALTH

How to manage credit wisely

Many paths lead to long-term financial security.

A commitment to saving money, skillful investing and living within one's means are just some of the ways people can set themselves on the path toward a comfortable and secure financial future.

Avoiding debt, particularly consumer debt, is another pathway to long-term financial stability.

Unlike other forms of debt like a mortgage or an auto loan, consumer debt is typically accompanied by high-interest rates.

For example, the LendingTree reports that the average credit card APR for individuals with good credit is just over 21%, while those with poor credit can expect to get an APR closer to 28%. Those figures underscore the importance of using credit wisely, as poor use of credit can quickly land consumers in considerable debt.

With that in mind, consumers can consider these tips to manage credit wisely:

- See credit as a tool to build your financial reputation. Credit cards have something of a bad reputation, as they're often noted when discussing the dangers of debt. However, that narrative is different for millions of consumers who have figured out that wise credit usage is a highly effective way to build a strong financial reputation. In fact, the LendingTree notes that using credit cards responsibly is one of the most effective ways to build a strong credit history. Paying credit card bills on time; paying balances in full each month, and thus avoiding costly interest charges; and spending only a small percentage of your credit limit are all hallmarks of wise credit usage. The longer consumers adhere to this strategy, the higher their credit score becomes and the stronger their financial reputation becomes, as well.
- Avoid opening too many credit card accounts. The credit reporting agency Equifax notes that two to three credit card accounts are enough to maintain a good credit score. Lenders want prospective borrowers to have a credit history that reflects their ability to successfully manage a wide variety of types of credit, so limiting consumer credit to two to three cards will ensure you are not putting all of your eggs in one basket. Unfortunately, many consumers have not followed this line of thinking, as a recent report from the credit monitoring agency Experian indicated the average consumer has 3.84 credit cards.
- Maintain a low utilization ratio. Credit utilization ratio (CUR) refers to the percentage of credit currently in use. If your available credit is $2,000 and your balance is $1,000, your CUR is 50%, which lenders would undoubtedly view as excessive. Experian notes that conventional wisdom governing CUR is to keep it below 30%, though that has shifted in recent years. Nowadays, a CUR closer to 10% may paint consumers in an especially positive light. Recognition of CUR and what qualifies as a consumer-friendly CUR can motivate consumers to stay out of debt and avoid overspending.

— By Metro Editorial Services

PHOTO COURTESY OF METRO EDITORIAL SERVICES

FISCAL HEALTH

Tips to improve financial literacy: No one is born knowing it all; ask questions

Financial planning is a key component of successful money management.

When financial plans are established and put in place, individuals are in a much better position to achieve both short-term goals, like financing a dream vacation, and long-term aspirations, like retiring with enough money to live your golden years without worry.

No one is born knowing how to handle and manage money. Financial literacy is an acquired skill, which means anyone can learn how to manage money effectively.

Following are a handful of ways individuals from all walks of life can improve their financial literacy:

▪ Crack the books (and magazines). A wealth of resources are available to anyone looking to become better at managing money, and many of those resources are books and magazines. Printed works are available for people with varying levels of financial literacy, so it's unlikely that any single text or magazine will benefit everyone equally. Find a text that speaks to your level of literacy and build from there.

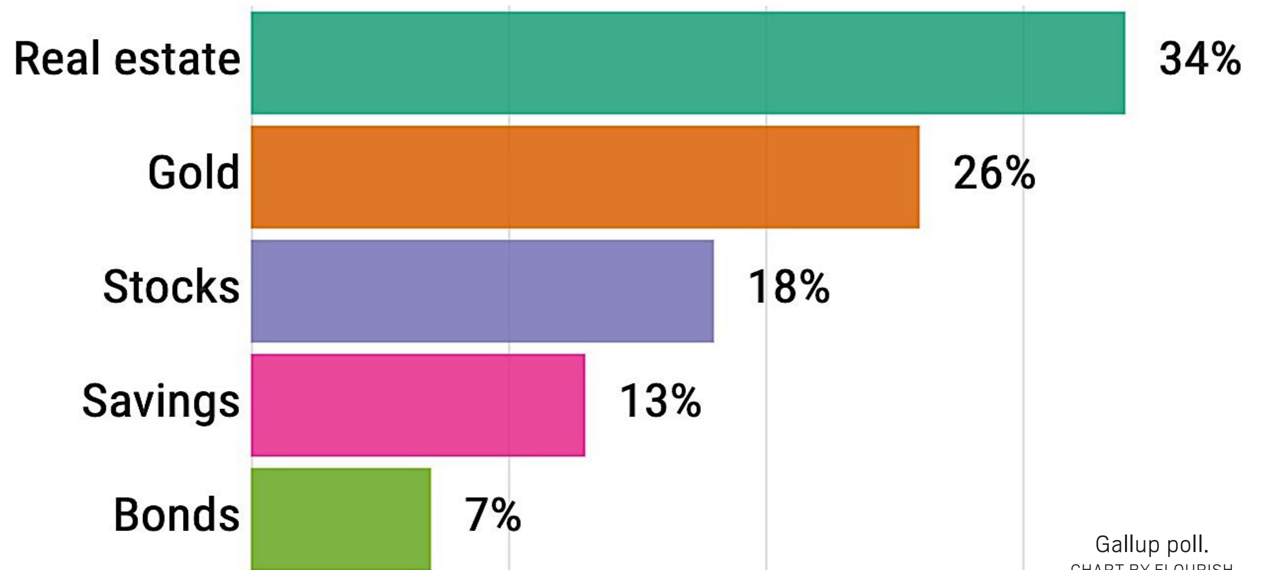
▪ Pay attention to financial news. The days when financial news was limited to industry insiders or a handful of industry publications are long gone. Various online entities and cable television channels are now exclusively devoted to financial news. Anyone can benefit from paying attention to financial news, which can shed light on investments, real estate and financial industry trends that can help people better understand their portfolios and assets.

▪ Read your emails. Adults who already have retirement accounts and other investments may also have an invaluable resource right inside their email inboxes. Investment management firms like The Vanguard Group, Inc., routinely host online information sessions and discussions for investors that are promoted through email and other lines of communication with account holders. When promotional emails announcing these sessions are announced, take note and resolve to participate. Many don't require active participation, but they often provide insight into financial products, markets and strategies to successful investing. Some banks and credit unions also offer free courses for members.

▪ Ask questions. It seems simple, but one of the most effective ways to gain greater financial literacy is to ask questions. If you work with a financial planner or are interviewing professionals to help you manage your money, ask that person to explain their financial strategy and the strategy espoused by their firms. When a new short- or even long-term goal pops up on your radar, ask your financial advisor to explain ways in which you can achieve that goal. Such discussions can reveal strategies that even well-informed individuals may be unaware of.

Various strategies can help people from all walks of life improve their financial knowledge and take greater control of their finances and futures.

— By Metro Editorial Services



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Pay attention to financial news. The days when financial news was limited to industry insiders or a handful of industry publications are long gone. Various online entities and cable television channels are now exclusively devoted to financial news.

FISCAL HEALTH

Common investment terms to know

The importance of investing is undeniable. As the cost of living rises, investors can more capably handle that spike because they've been growing their money through various investment vehicles all along.

With so much to gain from successful investing, novices may benefit from a rundown of common investment terms.

▪ 401(k): A popular way to save for retirement, a 401(k) is an employer-sponsored retirement plan. Individuals with a 401(k) make pre-tax contributions during each pay period and some employers match these contributions up to a certain percentage. Money in a 401(k) can be withdrawn at any time, but there is a penalty on withdrawals made prior to the account holder reaching 59 ½ years of age.

▪ Bear market: A bear market is a market in which stock prices sharply decline over a prolonged period. Bear markets may be inspired by an array of factors, including rising unemployment.

▪ Bonds: Bonds are low-risk investments that attract novices who are not yet certain of their risk tolerance. Bonds are loans to governments and even corporations that pay interest to the individuals who invest in them.

▪ Bull market: The opposite of a bear market, a bull market refers to a market in which stock prices are rising.

▪ Diversification: Diversification is a savvy investment strategy in which investors spread out their investments so their portfolio is as diverse as possible. When diversifying, investors may invest in stocks, bonds, IRAs, a 401(k) and other options.

▪ Dividend: A dividend is a payment made to a shareholder in a company.

▪ Individual retirement account (IRA): An IRA is a retirement account individuals open on their own. There are various types of IRAs and contributions to these accounts are post-tax.

▪ Market index: The Dow Jones Industrial Average (DJIA) is perhaps the most recognizable market index, though it's not the only one. A market index such as the DJIA tracks the financial market by analyzing data from various companies.

▪ Mutual funds: Mutual funds are a popular way to invest. According to investment experts, with a mutual fund, money is raised by an investment company and is then invested in a portfolio that includes stocks, bonds, options, commodities or money market securities.

▪ Share: A share is a unit of ownership in a company or in an asset. Shareholders are eligible for benefits, including payouts, when a company makes money.

▪ Stock: Stocks are long-term investments that represent an ownership stake in a company. Most investors invest in common stocks, which are not subject to the same conditions as preferred stocks. Preferred stocks tend to be less volatile than common stocks, though that security also makes them less profitable when the stock performs well.

Knowledge of these basic investment terms can serve as a good foundation for novices who want to begin investing. As investors become more comfortable, they can expand their knowledge even further.

— By Metro Editorial Services

DREAMSTIME — TNS

Short-term investments are usually pretty safe, especially relative to longer-term investments such as stocks or stock funds. But be sure you understand what you're investing in.

FISCAL HEALTH

Strategies to help young adults save for the future

When a person is young, saving money may be the furthest thing from his or her mind.

After all, this may be a time to enroll in college or trade school, make a first big purchase, such as a car, or even get married.

Thinking about establishing a solid financial footing for the future can take a back seat when life is filled with so many significant events.

But it's never too early to start saving, even when saving seems to be an impossible task. Young adults should keep saving in mind and look to various strategies that can set them up for long-term financial security.

Young adults can begin saving early with these conventional and highly effective strategies:

Set long-term goals

It's easier to save when saving is attached to specific goals. While some may aspire to retire early, establish an emergency fund or purchase a home, others may want to save for an overseas vacation. Motivation to save can make it that much easier to do so.

Determine where you spend the most

Saving money on smaller purchases will add up over time, but to build robust savings, figure out your biggest expenditures and how you can cut back to pad your savings. The Logic of Money reports that the average American spends more than 60% of their income on housing and transportation. Figuring out how to cut costs in these categories can be a great way to save.

Use cashback apps

Young adults are tied to their digital devices. Why not make them work for you? Free cash-back apps give you money back for various purchases. Some can be linked directly to a credit or debit card to have passive income deposited directly. With others, you can cash out as a direct deposit or via a payment app like PayPal.

Set aside one-third of your income

Make it a point to put away $1 for every $3 earned into a savings account, advises U.S. News & World Report. That is a good measure for establishing a rainy day fund. If you don't trust yourself to transfer the money, have a set amount automatically deposited from your paycheck into a designated savings account.

Treat credit cards like using cash

The "buy now, pay later" option is an attractive trap to fall into. Using credit cards often is a safer way to pay merchants because you're risking others' money rather than your own with a debit card. However, using credit can make it challenging to visualize what you're actually spending. Do not purchase more than you can pay off within each billing cycle. Set account alerts on your phone to let you know when you've hit your budgeted credit card spending limit. Resist the urge to open and use too many cards.

— By Metro Editorial Services

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FISCAL HEALTH

Americans are finally turning frugal after splurging over the summer

By Katia Dmitrieva
Bloomberg

The long-awaited U.S. economic slowdown has begun.

Signs are piling up — in recent data, in warnings from top retailers such as Walmart Inc. and in anecdotes from local businesses across the country — that after defying expectations all year and splurging over the summer, American households are starting to pull back.

A burnt-out consumer, weighed down by high-interest rates and dwindling savings, is the surest sign that economic growth is gliding lower heading into 2024. The economy may face additional challenges in the new year as the labor market cools and wage growth moderates.

"The household disposable income side isn't looking great — jobs growth is slowing, wages are slowing," said James Knightley, chief international economist at ING. "We're seeing a weaker consumer, and that's significant."

Monthly government data on personal spending published Thursday showed a cutback in discretionary categories like cars, furniture and gym memberships to begin the fourth quarter. Holiday shopping was also less festive, with Black Friday spending down at a number of the country's largest chains and a record amount of online purchases made using buy-now-pay-later schemes on Cyber Monday.

The slowdown in spending — which remains fairly resilient, all things considered — will be welcomed by Federal Reserve officials, who've been concerned that a strong consumer could keep inflation elevated. Investors are now pricing in about 120 basis points of rate cuts in 2024, according to futures — nearly double what they were expecting as recently as mid-October.

"Consumer spending accounts for roughly two-thirds of GDP, so less shopping will mean slower economic growth," Atlanta Fed President Raphael Bostic said referring to the gross domestic product. In an October survey conducted by the Atlanta Fed, companies said they see sales increasing about 3% over the next year, the lowest reading in almost a decade aside from the pandemic lows.

Third-quarter earnings from the country's largest retailers suggest the pullback is well underway. Walmart said there was a "sharper falloff" in sales during the last two weeks of October. Target Corp.'s comparable sales declined for the second straight quarter as buyers were more careful. And Dollar Tree Inc.'s executives flagged the "increasing financial stress" among lower-income households.

The Fed's "Beige Book" survey of regional business contacts this week hinted at the slowdown in spending and hiring across the country. Here is a sample of anecdotes:

- Philadelphia Fed: "Electric vehicles were accumulating on dealer lots as high prices, high-interest rates, and consumer hesitancy curbed demand."
- Dallas Fed: "The pace of hiring decelerated broadly, and some freight carriers, high-tech, and manufacturing companies reported layoffs."
- Minneapolis Fed: A northern Wisconsin banker said "People are mad about eggs costing more, but they'll still buy a car." Other banking contacts noted that consumers were using credit cards and HELOCs to maintain spending.
- Kansas City Fed: Consumers are increasingly likely to "share a roof and share meals" to manage household budget challenges. Restaurateurs noted that revenues fell as more customers split dishes and eschewed expensive items.

BLOOMBERG PHOTO BY MATTHEW HATCHER

A woman walks through a mall, ready to spend.

Economists typically view consumer consumption as primarily driven by labor-market conditions — as long as people have a job, they keep spending. There's evidence the job market, until now remarkably robust, is cooling, too. Separate data shows out-of-work Americans are having a tougher time securing another job, with continuing weekly jobless claims climbing to a two-year high. Though the economy is decelerating, few forecasters see a crash ahead. Growth is seen moderating to 1.1% in the fourth quarter before sliding to as low as 0.2% in the second quarter of 2024, according to median estimates in a Bloomberg survey.

"Certainly things are moderating, but we continue to see signs of forward momentum and progress," Heather Boushey, a member of President Joe Biden's Council of Economic Advisers, said in a phone interview. "We couldn't have those blockbuster paces going on forever. We really needed things to stabilize."

The economy has been resilient so far. That could be changing heading into 2024, according to Veronica Clark, an economist at Citigroup Inc.

"If we're in a recession six months from now, which we believe we will be, we could look back on this period and say this was the earliest sign of it," she said.

With assistance from Mark Niquette and Vince Golle.

FISCAL HEALTH

Steps to secure your financial privacy

Safeguarding personal financial data has never been more important, as an increasingly digital world has made online banking that much more prevalent.

Cyber crimes are a significant concern. According to the FBI, no less than 422 million individuals were impacted by cybercrime in 2022, and nearly 33 billion accounts were anticipated to be breached by the end of 2023.

Cyber crimes are happening every day, even if the public only hears about the largest data breaches.

Financial institutions as well as retailers and other businesses that require the use of personal financial information are obligated to safeguard customer data.

According to the Federal Trade Commission, financial institutions protect the privacy of consumers' finances under a federal law called the Financial Modernization Act of 1999, also known as the Gramm-Leach-Bliley Act.

That law governs banks, securities firms, insurance companies, and companies providing many other types of products and services. The law dictates how financial institutions can collect and disclose customer's personal financial information.

Individuals also have key roles to play in protecting themselves.

Though even the best precautions cannot completely secure your financial privacy, every little effort is worth it to reduce your risk of being victimized by data theft.

These tips from the Financial Industry Regulatory Authority can help individuals safeguard their privacy:

- You have the right to opt out of the sharing of some of your personal information with affiliates and nonaffiliates of a financial institution. For example, you can opt out of receiving prescreened credit offers by way of credit bureaus selling information about you to lenders or insurance.
- Increase awareness of phishing scams. These often are emails that appear to come from legitimate firms or financial regulators asking for personal information. These entities would never ask for account numbers, passwords, credit card information or Social Security numbers through email. Verify all communication with the financial institution by contacting that institution directly at the number listed on your account statement or bill.
- Be aware of where you click online. Never click on a questionable link or download a suspicious email attachment.
- Strong passwords can keep accounts more secure. Resist the urge to use the same password across many accounts.

Once that password is compromised, the cyber criminal may be able to try it on your other accounts. Consider using a password manager to suggest and save strong and unique passwords for each account.

- Utilize multifactor authentication whenever it is available. MFA adds an extra layer of protection by using a password as well as a unique code or biometric to unlock the account.
- Conduct all financial business on a personal device on a secure network. Delete the cache and history frequently to avoid leaving a digital trace.

— By Metro Editorial Services

PHOTO COURTESY OF BIGSTOCK

Remember to change passwords to something secure.

FISCAL HEALTH

2 quick ways to upgrade your digital security

By Shira Ovide
The Washington Post

I'd rather scrub tile grout than tend to my digital security.

But two relatively low-fuss changes to your email account will significantly improve your security. If you've already done these, double-check. I bet you can make a beneficial tweak. I did.

▪ Add an identity verification method to block criminals from taking over your email if they steal or guess your password. If you can, pick a verification method that's something other than a code texted to your phone.

▪ Add a backup email address, phone number or a friend's contact information in case something goes wrong, like you forget your password or are hacked.

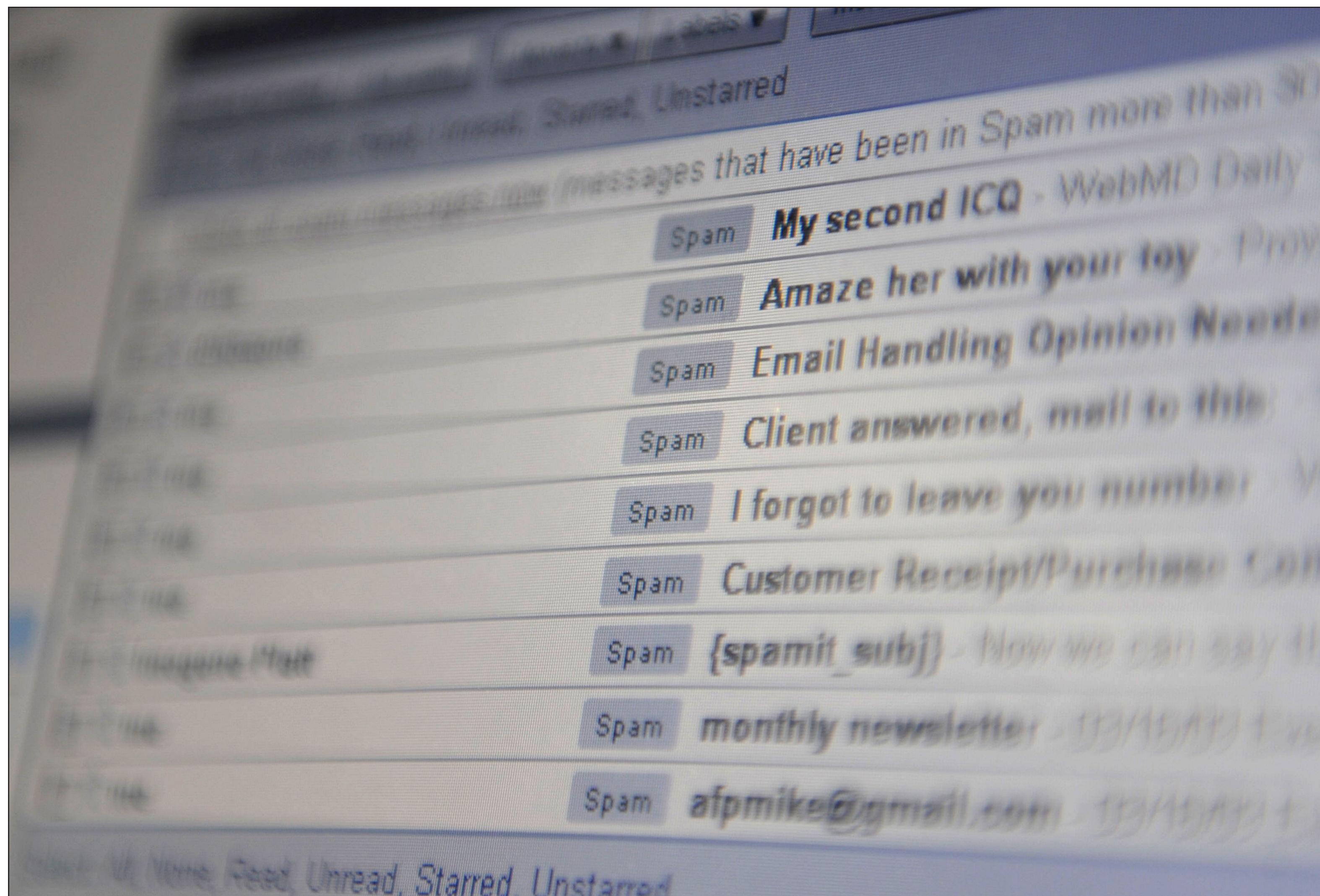
I'll walk you through those steps for three popular personal email services. The process can be clunky — I'm looking at you, Gmail. Still, this should take 10 minutes or less.

Because email is the gateway for many digital services, email security upgrades make your financial accounts, digital health records and other online accounts safer, too.

If you make the suggested improvements, "you're as locked down as any consumer can reasonably be," said Tarah Wheeler, chief executive of the information security company Red Queen Dynamics.

The takeaway message: Perfection is not necessary to be secure online. An upgrade or two can make a big difference.

If you use something other than the three email services here, the steps should be relatively similar for others.



MIKE CLARKE — AFP VIA GETTY IMAGES

A computer screen inbox displaying unsolicited emails known as "spam."

And the One Tiny Win section below has more advanced email security improvements, if that's right for you.

For Gmail, do this

Access your Google account.

Find the Security section at the top (on your phone) or at the left-hand side (on a computer screen). Under "How you sign in to Google," check for "2-Step Verification."

If 2-Step Verification is off, click or tap on that option. In the next screen, choose Get started.

You may be asked to enter a phone number for account security purposes. I recommend you don't do that. Instead, click or tap the blue text that says "Show more options." Most people should choose the Google prompt. Select Next.

In the next screen, many people will see the model of smartphone you use to read your Gmail. Follow the onscreen instructions if you don't see your device listed there.

Next, Google will ask for a backup verification option — typically your phone number to call or text. This isn't ideal. Do it for now. Keep reading below for why this is a problem.

You'll see a confirmation screen. Choose "Turn on."

Once this is set up, when you want to access your Gmail, Google may send a pop-up message to your phone to confirm it's really you. You can check a box for "Don't ask again" to skip the verification on a phone or computer you use regularly.

The goal is to make it very difficult for an impostor who has your email password to access your Gmail because he's unlikely to have your phone, too. (Or if a thief steals your phone, he's unlikely to also have your email password.)

If you're thinking, what if my phone is lost or stolen and it's my verification method — see the section below.

Or if 2-Step Verification is already on, tap on the option and look at your "Available second steps" for verification.

If one of those options is a voice or text message, I suggest you pick a different option such as an authenticator app. (Read more in the One Tiny Win section below.)

For everyone, again under "How you sign into Google," fill in the fields for a Recovery phone number and a Recovery email ad-

dress.

Your own mobile number is good, but it's better if you can pick a work email or phone number of a trusted friend or family member.

If you get locked out of your email account because you forget your password or it's taken over by a hacker, Google uses this Recovery information to help you get back in.

For Apple mail, do this

Start from your Apple ID account. Sign into your Apple account.

Look in the "Account Security" section. Most people will see "Two-factor authentication" in that section.

Click or tap that Account Security section and make sure the "trusted" phone number or "trusted device" listed there are still correct and not a phone that you lost or gave away.

When you access your email on a phone, computer or web browser that you don't typically use, Apple may send a pop-up verification code to your iPhone or Mac to make sure it's really you. (Apple has instructions here, too.)

If you're thinking, what if my phone is lost or stolen and it's my verification method — see the section below.

If you don't see two-factor authentication in the Account Security section, click there and follow the on-screen instructions.

Now look at the "Account Recovery" section. If it says Not Set Up, click or tap that option. Choose either a recovery contact or a recovery key.

The recovery contact is a person you trust who will vouch for you digitally if you lose your Apple account password or it's hacked. The recovery key is a 28-digit code that Apple will generate and that you need to save somewhere safe. It's a backup plan to regain access.

Apple has detailed recovery instructions available online.

PHOTO COURTESY OF METRO EDITORIAL SERVICES

Keeping your email secure can help protect you from scams looking to gain access to your personal banking information.

For Outlook or Hotmail, do this

Access your Microsoft account. Choose "Security" at the top of the screen and then "Advanced security options."

Look for Two-step verification at the top of the screen. If it says OFF, choose "Manage."

Follow the on-screen instructions. You'll be asked for a way to verify your identity. Most people should choose the app option.

Microsoft will walk you through downloading the company's app that pops up a code in some cases to confirm you are you.

If you're thinking, what if my phone is lost or stolen and it's my verification method — see the section below.

Under the same Advanced security options, check the "Ways to prove who you are," including a different email address. Those are your backup plans if you lose your password or are hacked.

Microsoft has more account recovery information online.

What if my phone is lost or stolen and it's my verification method?

Using a pop-up message to your phone (or an app on your phone) for identity verification is much safer than almost anything else.

Even if it makes you nervous, do it.

It's definitely safer than leaving yourself exposed by letting a criminal get into your email with just a password that he can steal or guess.

Once he has access to your email, he can reset the passwords to take over your other online accounts such as banking, shopping and social media.

If you do lose access to your phone, follow these instructions to disable or delete everything on your device from afar. You'll need to get your existing phone number set up on a new phone.

Yes, that means if your phone or phone number is verification of your identity with Google, Apple or Microsoft, you may need help getting back into your email. That's why it's important to set up recovery options ahead of time.

Why texts aren't ideal for identity verification

Crooks love stealing people's mobile phone numbers.

If a criminal takes over control of your phone number, he might be able to tell Google that you forgot your email password, change it and confirm his new password via a Google text message to a phone number that he controls.

That could let him take over your other online accounts, too. Criminals can do large volumes of phone number thefts. It's harder to steal a bunch of people's physical phones. Google deserves special scolding. The company should do more to steer you away from picking phone calls or text messages as the verification to get into your email. Still, even if you use your mobile phone number or text messages for identity verification, you are better protected than nearly everyone else. Remember that our goal is security improvement and not perfection, which is impossible.

One (more) tiny win: Advanced options

My colleague Heather Kelly wrote a guide to security keys and added account encryption features from Apple.

You can use these for Fort Knox-level protections for email and other accounts. Google and Microsoft also have advanced protections for accounts including Gmail or Outlook personal email.

Those extras are not necessary for most people. They may even be counterproductive if you're not comfortable using them or don't have an account recovery backup plan.

One easier and secure alternative is verifying your identity with a free, reputable authentication app such as Twilio's Authy, the Microsoft Authenticator app or Google Authenticator.

In Gmail, after you initially set up your account verification methods, you can replace phone or text-based verification codes with an authenticator app that generates constantly changing numerical codes. That's a worthwhile upgrade. Companies including Google, Apple and Microsoft are also making it easier to ditch your password entirely and use only your phone protected by a passcode, fingerprint or face scan to prove that you're you.

Maybe this sounds unsafe but the current system of online passwords is fundamentally broken and insecure. Killing passwords entirely and using your phone as a "passkey" is an improvement.

FISCAL HEALTH

A loophole is helping some parents lower their student loan payments

By Danielle Douglas-Gabriel
The Washington Post

As federal student loan payments resumed in October, Michele Lloyd, 57, began facing a stark reality: Between her own education loans and the debt she took on for her daughter's college degree, she would be repaying the $110,000 total well into her 70s.

The monthly $600 bill was more than Lloyd could afford as a therapist with a new practice, yet there were few options to lower the amount. The Parent Plus loans she had taken out for her daughter are barred from the government's most inexpensive repayment plans.

"It's abusive," Lloyd, who lives in Detroit, said of Parent Plus loans, a program with $111 billion in outstanding debt held by 3.7 million people. "The interest rates are predatory. The payments are high. And with my income, I can't afford what they want me to pay."

Things started looking up weeks ago when an advocacy group told Lloyd about a strategy that could ease the burden of her debt: "double consolidation," a long-standing but little-known loophole that would hide the existence of Parent Plus debt under layers of new loans that are combined into one. That consolidated loan would then be eligible for more flexible repayment options like President Biden's much-touted Saving on a Valuable Education (SAVE) plan.

Consumer attorneys say the "double consolidation" strategy has gained popularity with the advent of SAVE and since the Education Department announced plans over the summer to close the loophole in July 2025.

When asked about the existence and pending end of the consolidation loophole, the Education Department pointed to passages in the SAVE regulation that was posted in the Federal Register in July. In it, the agency said "limitations in Department data" may have allowed a Parent Plus loan that was double consolidated to enroll in any income-driven repayment plan.

"The Department will not adopt this clarification for borrowers in this situation currently on an IDR plan because we do not think it would be appropriate to take such a benefit away," the agency wrote. "At the same time, the Department is aware that a number of borrowers have consolidated or are in the process of consolidating in response to recent administrative actions."

"In trying to end this practice, it seems the department is giving legal cover to what was a technical loophole for the next year and a half," said Adam Minsky, an attorney who specializes in student debt. "I'm advising clients that if you want to go for it, go for it but know there is some risk."

State authorities and advocacy groups are encouraging parents to take advantage before the deadline. But it is a tedious process. Missteps could derail the effort. And because there is no official policy on the books, student loan servicers can't walk borrowers through the steps.

Still, Lloyd and other parents are taking their chances to shake free from one of the most restrictive and expensive forms of federal education debt — Parent Plus loans.

JEMAL COUNTESS — GETTY IMAGES

Allegra Wiesenfeld speaks as student loan borrowers and advocates gather for the People's Rally To Cancel Student Debt During The Supreme Court Hearings On Student Debt Relief on Feb. 28, 2023, in Washington, D.C.

The loans were designed to give parents with limited financial resources an easier path to help their children pay for college. The federal government is far more willing to extend credit to low-income parents than private lenders, but under terms that are far less appealing than those offered to students.

Whereas the interest rate on a standard undergraduate loan is 5.5%, it sits at 8.05% for a Parent Plus loan. Students also have a wealth of repayment options for their loans, including plans that take their income into consideration and could eventually qualify for loan forgiveness.

But parents are limited to just a handful of payment plans.

There is only one income-driven plan available to parents — Income-Contingent Repayment or ICR — and it is the least generous. To qualify, parents must consolidate the Plus loan into a Direct Consolidation Loan. ICR caps monthly payments at 20% of a borrower's discretionary income, defined as the money one earns above 100% of the federal poverty line ($14,580 for an individual).

The new SAVE plan, meanwhile caps payments at 10% of discretionary income, which it defines as 225% of the federal poverty line. If parents were allowed to enroll in SAVE, their monthly bills would be much lower.

In finalizing the SAVE regulation, the Education Department said Parent Plus loans were ineligible because Congress never intended for parents to have broad access to repayment plans based on their earnings. Advocacy groups argue that because the new repayment plan was born from the same authority used to create ICR, there is nothing barring the department from giving parents access to SAVE. The department has not budged on the matter, even as the NAACP has urged Education Secretary Miguel Cardona to reconsider.

That leaves the double consolidation loophole.

Here's how it works:

- Parents must have at least two loans: two individual Plus loans, or a Plus loan and the loans a parent took out for their own education.
- If you have only Plus loans, you'll submit separate applications to two different loan servicers requesting to consolidate one of your Plus loans with one servicer and the rest with the other.
- Once that process is complete, within 4 to 6 weeks, you must then do a final consolidation to bring all of the loans together.
- Parents like Lloyd with debt for their own education can submit one application to consolidate all of their Plus loans, wait up to six weeks for it to get processed and then initiate the final consolidation of the new loan and their own loan.

There are risks. Failure to follow the steps correctly could render the strategy moot, said Winston Berkman-Breen, legal director at the Student Borrower Protection Center, an advocacy group.

"You can't consolidate everything together. You have to sequence it right so that you're not stuck after one consolidation with only access to the ICR plan," he said.

Consolidating also could leave some borrowers with slightly higher interest rates because the interest is calculated by taking an average of the different rates on the loans.

FISCAL HEALTH

How the restart of student loan payments is affecting these borrowers' lives

By Danielle Douglas-Gabriel and Abha Bhattarai
The Washington Post

After a three-year hiatus, tens of millions of Americans are starting to make payments again on their federal student loans. While a robust job market and wage growth should ease the sting of the added bill, stubbornly high prices for food and housing have stretched household budgets.

Households are less optimistic about their financial well-being and report being worse off than a year ago, according to a September survey released by the Federal Reserve Bank of New York's Center for Microeconomic Data. Respondents reported a higher probability of missing a debt payment over the next three months, an expectation that coincides with the resumption of student loan payments.

Many borrowers also took on other debt during the payment freeze, studies show. Economists at the University of Chicago, for example, found that people who benefited from the moratorium increased their leverage by $1,200 on average.

Against that backdrop, borrowers say they are stressed. The Washington Post asked people across the country to share their experiences entering repayment.

Here are some of their stories:

Chrysta Mateo-Rivera, 26

Miami — $47,000 in outstanding student loans

Chrysta Mateo-Rivera is among the roughly 7 million college students who graduated during the pandemic and never had to make a student loan payment until now. She borrowed $47,000 to pursue a master's in counseling at Florida International University, where she now works full-time as an academic adviser and part-time doing data analysis.

As the end of the pause approached, Mateo-Rivera said she felt the weight of her debt bearing down. There weren't really any expenses she could cut from her budget: She lives at home with her parents to save on rent and rarely goes out because of her work schedule.

"What I spend money on is necessary — car insurance, car payments, groceries, phone bill. I'm still looking over every expense and thinking where can I cut costs? What can I do differently?" Mateo-Rivera said. "Miami is an expensive city and I'm already doing everything to save money."

When Mateo-Rivera received her first student loan statement in September, she breathed a small sigh of relief. Her payment is $115 after she was switched to the Biden administration's new income-driven student loan repayment plan.

"It's manageable," she said. "It's still going to cause me some stress. I still have to figure things out, but I don't feel like I'm necessarily drowning the way that I thought I might."

One thing Mateo-Rivera said she will have to give up, at least for now, is her plan to move out. In the two years since graduation, she has set aside a few dollars with the hope of getting her own place, but high Miami rents and an added bill have put that goal further out of reach.

Mateo-Rivera said she has always been cost-conscious. She started out at a community college to save on tuition. When she transferred to Florida International to complete her undergraduate degree in psychology, she worked the entire time to avoid taking out loans.

While she doesn't regret her education, Mateo-Rivera said she worries that the cost of it will lengthen her path to economic prosperity.

Her family, she said, instilled in her that education is the key to success, to the American Dream. Mateo-Rivera said her grandparents from the Dominican Republic and El Salvador saw her as "the hope for the family," the culmination of their hard work to make it in this country. She is the first person in the family to earn a master's degree, and that accomplishment seemed like it would guarantee her success.

"But then the reality kicks in," she said. "It's not just getting the degree and then I'm successful. There are student loan payments. What's the job outlook? Right now, where I am in life, it's hard to feel very hopeful about my financial prospects."

Jamie Hannan, 36

Kingwood, Texas — $15,000 in outstanding student loans

A lot has changed for Jamie Hannan in the past three years. During that time, he and his wife welcomed their second child and moved into a new house.

They had planned to use some of the money from the sale of their old home to add more insulation and swap out the windows in the new one.

At the time, Hannan and his wife had hoped to benefit from President Biden's program to cancel up to $20,000 in federal student loan debt. The policy would have lowered their combined student debt from $30,000 to $10,000, enough to put the couple at ease with spending more money on the house. But when the Supreme Court struck down Biden's program, the Hannans put the renovations on hold.

In recent months, the couple began combing through their expenses looking for places to cut back. They considered getting rid of a few streaming services and subscriptions, such as the Noggin kids' app, but didn't want to sacrifice their children's education for a few dollars of savings.

Instead, Hannan and his wife made other trade-offs. Rather than enrolling their youngest in day care close to home, the couple decided to keep the 21-month-old at an affordable place near their old house, adding 45 minutes to their daily commute.

All of the options near them, Hannan said, were about as much as the $500 he and his wife had to collectively pay on their student loans per month.

"We love the day care and have no complaints, but driving 45 minutes out of our way is challenging," Hannan said. "We were thinking, okay, we're going to have to start paying these student loans. We can't also add $500 a month of child care on top of that."

Hannan considers himself fortunate to have such a relatively low amount of education debt with two master's degrees.

He received a scholarship from Austin College, a small Presbyterian school near Dallas, that allowed him to pursue an undergraduate and graduate degree in education with only $1,000 in debt. But after years of working as a teacher, Hannan wanted a career change and returned to school to get a master's in public policy from the University of Houston.

Now he works as a policy analyst in municipal government, a position that would qualify him for the federal Public Service Loan Forgiveness program, where public sector and nonprofit workers can have the balance of their loans forgiven after 10 years of service. Hannan has considered the program but worries that political headwinds could jeopardize its future and his ability to successfully get his loans forgiven. So for now, he plans to focus on repaying as much of his debt as fast as he can.

Sally Oberski, 65

Toledo — $70,000 in outstanding student loans

Sally Oberski has been making student loan payments for more than three decades but still has $70,000 left, which means she'll have to put off retirement for longer than she'd like.

The 65-year-old has had student loans for most of her adult life: from a 1989 associate's degree in legal assisting technology and a 2011 master's in organizational leadership.

"When I took on these loans, I had no idea I would still be struggling to pay this back all these years later," said Oberski, who works in communications for a health care nonprofit. "I'm 65 years old. I want to be done with this."

She is among the growing group of 2.7 million borrowers ages 62 and up with student loan debt. In all, they owe $115 billion — an average of about $42,500 apiece — at a time when many are approaching retirement or already living on a fixed income. That's putting increased pressure on many older households, especially at a time when they're already dealing with higher prices and rising borrowing costs.

The three-year pause in payments, Oberski says, was helpful in covering home repairs and unexpected medical costs for her mother during the pandemic. She says she feels lucky to have a fixed mortgage and a stable job, but even then, she's had to make adjustments to squeeze out an extra $200 a month from her budget.

"I've cut back on a lot," she said. "It's been a whole re-budgeting process: This is what I make, this is what I owe, what can I cut?"

Oberski has nixed a number of subscriptions — for Apple TV, Hulu and the New York Times, among others — and curbed spending on concerts and restaurants.

The changes aren't life-altering, she says, but enough to be noticeable.

She has regrets, too. Oberski has only been making minimum payments and even deferred her loans a couple of times "because I had other priorities," she said. And despite an 11-year tenure at the Catholic Church's Diocese of Toledo — which would've been enough to wipe out her loans through the federal Public Service Loan Forgiveness program — she never signed up.

"It sounded like it was a lot of hoops to jump through and at the time, I was paying the best I could," she said. "But you make mistakes along the way in life, and that was one of mine. Now I want to retire in the next couple of years. But first here's one more debt to pay off."

FISCAL HEALTH

The price of money is going up, and it's not only because of the Fed

By Jamie Rush, Martin Ademmer, Maeva Cousin and Tom Orlik
Bloomberg

What's the most important price in the global economy? The price of oil? The price of semiconductors? The price of a Big Mac? More important than any of these is the price of money.

For more than three decades, it was falling. Now it's going up.

Ask most people how the price of money is set, and they'll say central banks. True, when it comes to direct control of U.S. interest rates, the Federal Reserve calls the shots. But there's a deeper logic at work. Fundamentally, the price of money — like the price of anything else — reflects the balance of supply and demand. A higher supply of savings pushes rates down. More investment demand pushes them up.

For the economics wonks, the price of money that balances saving and investment while keeping inflation stable has another name: the "natural rate of interest." To see why this concept is central to policymaking, imagine what would happen if the Fed set borrowing costs well below the natural rate. With money too cheap, there would be too much investment, not enough savings, and the economy would overheat, resulting in spiraling inflation. Flipping that around, if the Fed set borrowing costs above the natural rate, there would be too much saving, not enough investment, and the economy would cool, resulting in rising unemployment.

For more than three decades, borrowing costs in the U.S. were trending down. By our estimates and adjusting for inflation, the natural rate of interest for 10-year U.S. government bonds fell from a bit more than 5% in 1980 to a little less than 2% over the past decade.

To find out what drove interest rates lower, and to forecast where the natural rate might go in the future, we built a model of the big factors driving the supply of saving and demand for investment. Our dataset spans a half-century and 12 advanced economies deeply enmeshed in the global financial system. The results show that one of the most important reasons for the drop in the natural rate was weaker growth. In the 1960s and '70s, a swelling workforce and rapid productivity gains meant average annual growth of gross domestic product was close to 4%. Strong growth created a powerful incentive to invest-lifting the price of money.

By the 2000s, those drivers were running out of steam. After the global financial crisis of 2007-08, average annual GDP growth slumped to around 2%. A more sluggish economy meant the attractiveness of investing for the future was weaker-dragging the price of money lower.

Shifting demographics contributed in another way. From the 1980s on, as the baby boom generation started squirreling away more money for retirement, the supply of savings went up-adding more downward pressure on the natural rate.

Other factors also contributed. On the saving side of the equation, China's economy was growing fast, saving a lot and channeling those savings into U.S. government bonds. And in the U.S., income inequality went up, high-earners tuck away a higher share of their income, which further increased the supply of savings.

On the investment side, computers got cheaper and more powerful, meaning companies didn't have to spend so much upgrading their technology-lowering investment demand and dragging the natural rate lower.

For the U.S. economy, that fall in the price of money had profound consequences. Bargain-basement borrowing costs meant households could take on bigger mortgages. In the early 2000s, many bit off more than they could chew. There were lots of reasons behind the subprime mortgage meltdown and global financial crisis; falling borrowing costs were one.

And cheaper money meant that even as U.S. federal debt almost tripled, from 33% of GDP at the turn of the century to nearly 100% today, the cost of servicing that debt remained low, allowing the government to continue spending on education, infrastructure and the military.

PAUL J. RICHARDS — AFP VIA GETTY IMAGES

A close-up photo showing of the front of various U.S. bank notes.

For the Federal Reserve, a lower natural rate meant less space to cut rates during recessions, leading to much hand-wringing about the diminished firepower of monetary policy.

All that is changing. Some of the forces that drove the price of money lower are swinging into reverse. And other vectors are coming into play.

Demographics are shifting. The baby boom generation that helped push borrowing costs down is exiting the workforce, resulting in a smaller supply of savings. Fracturing relations between Washington and Beijing, and a rebalancing of China's economy, mean the flow of Chinese savings across the Pacific into Treasuries has come to an end.

U.S. debt leaped as the global financial crisis ripped through the economy and again as the coronavirus pandemic struck. Those episodes increased competition for savings, and the government has kept the taps open with the Inflation Reduction Act. Rising debt is already creating upward pressure on long-term borrowing costs.

How much higher will the natural rate go? Our model shows a rise of about a percentage point from a trough of 1.7% in the mid-2010s to 2.7% by 2050. In nominal terms, that means 10-year Treasury yields could settle somewhere between 4.5% and 5%. And the risks are skewed toward even higher borrowing costs than our baseline suggests.

If the government doesn't get its finances in order, fiscal deficits will stay wide. The fight against climate change will require massive investment. BloombergNEF estimates getting the energy network in shape to achieve net-zero carbon emissions will cost $30 trillion. And leaps forward in artificial intelligence and other technologies might yet boost productivity-resulting in faster trend growth.

High government borrowing, more spending to fight climate change, and faster growth would all drive the natural rate higher. According to our estimates, the combined impact would push the natural rate to 4%, translating to a nominal 10-year bond yield of about 6%.

Even in our baseline projection, the shift from a falling to a rising natural rate will have profound consequences for the U.S. economy and financial system. Since the early 1980s, house prices in the U.S. have roared higher, with the decline in interest rates a major contributing factor. With borrowing costs now set to edge higher, that process may come to an end. There's a similar story in equity markets. Since the early '80s, the S&P 500 has surged upward, powered in part by lower rates. With borrowing costs on the rise, that impetus for ever-increasing equity valuations will be taken away.

Perhaps the biggest loser, though, will be the U.S. Department of the Treasury. Even if debt rose no further relative to the size of the economy, higher borrowing costs are set to add 2% of GDP to debt payments annually by 2030. If that had been the case last year, the Treasury would have paid out an extra $550 billion to bondholders, which is more than 10 times the amount of security assistance the U.S. has funneled to Ukraine so far.

Of course, higher rates create winners, as well as losers. Savers with their money in bank accounts will get higher returns, and those piling into bonds will get a better rate of return. And a higher natural rate would also mean that, when recessions hit, there will be a little more room in the yield curve for the Fed to squeeze borrowing costs and stimulate growth, restoring some of monetary policy's lost firepower. After years of falling rates, though, the U.S. and the world needs to brace for a reversal. For everyone from homeowners to 401(k) equity investors to the U.S. Treasury, that's going to be a wrenching transition.

Methodology

The model we use to estimate the natural rate is a vector autoregressive model (VAR) with common trends. It's similar in spirit to Del Negro et al. (2017) and Del Negro et al. (2019) and is estimated from 1Q 1968 to 4Q 2022 with spillovers between 12 advanced economies. Our model is underpinned by three main beliefs: that the natural rate is determined by fundamental economic drivers, that actual borrowing costs will eventually return to the natural rate over time, and that survey data contain useful information about where the natural rate may lie. The VAR model and the survey data are only used to sharpen our estimates of the relationships between the drivers and the natural rate. To project the natural rate forward, all we need is projections of the drivers, these forecasts are drawn from the wider Bloomberg Economics team. Much of the literature on the natural rate focuses on short-term interest rates. We focus on long-term rates because central banks have increasingly relied on lowering them to support the economy and because the 10-year Treasury bond yield is a crucial benchmark in global markets.

FISCAL HEALTH

Finding the right credit card for you

Credit cards are a preferential method of payment for millions of consumers. Credit cards make buying items online convenient and provide more security than debit cards, which are directly tied to a bank account.

The modern credit card was invented in 1950 and was known as the Diners Club card.

The idea came from Frank McNamara and business partner Ralph Schneider, who conceived of a way to pay without carrying cash after McNamara had forgotten his wallet while out to dinner in New York. Since that fateful, forgetful night for McNamara, the credit card industry has boomed, and WalletHub notes that consumers now have more than 1,500 credit cards to choose from.

Having so many options can make finding the right card somewhat challenging. Explore these methods to narrow down your prospects:

Know your score

Before applying for a new credit card, it is important to know your credit score. The better your credit score, the greater the chance of being approved for a card that offers strong perks.

Type of cardholder

The next step is to identify which type of cardholder you are. WalletHub says cards are designed for specific types of users and are geared toward particular groups' interests and financial needs. These can include cards for students, those for people with poor credit histories, small business cards, or cards for general consumers.

Define your goals

Credit cards also are broken down by their perks. Cardholders need to think about what they want out of a card. For example, some credit cards are marketed to travelers and enable cardholders to earn travel miles or points toward hotel stays. Other cards offer cash back on a percentage of purchases, like 2% to 5% back on qualifying categories. Some credit cards help you improve your credit when it's limited or damaged, says NerdWallet.

Balance transfer policies and interest rates

Another consideration on credit cards is whether they offer introductory low- or no-interest rates on balance transfers that enable you to transfer balances from high-interest cards to the new card. Although it's always best to pay off your credit card balance with each statement, that isn't always possible. When shopping for a card, it helps to find one with a low annual percentage rate (APR).

Additional features

Some credit cards will offer tools such as charts that can help you keep track of spending categories or will automatically advise you of your credit score. Secured or student cards can incrementally raise your credit limit as you establish a good credit history. A card that has no late fees or penalty interest rate increases also can come in handy.

There are various factors to consider when shopping for a new credit card. By narrowing down the major points of comparison, consumers can find a card that suits their specific needs.

— By Metro Editorial Services

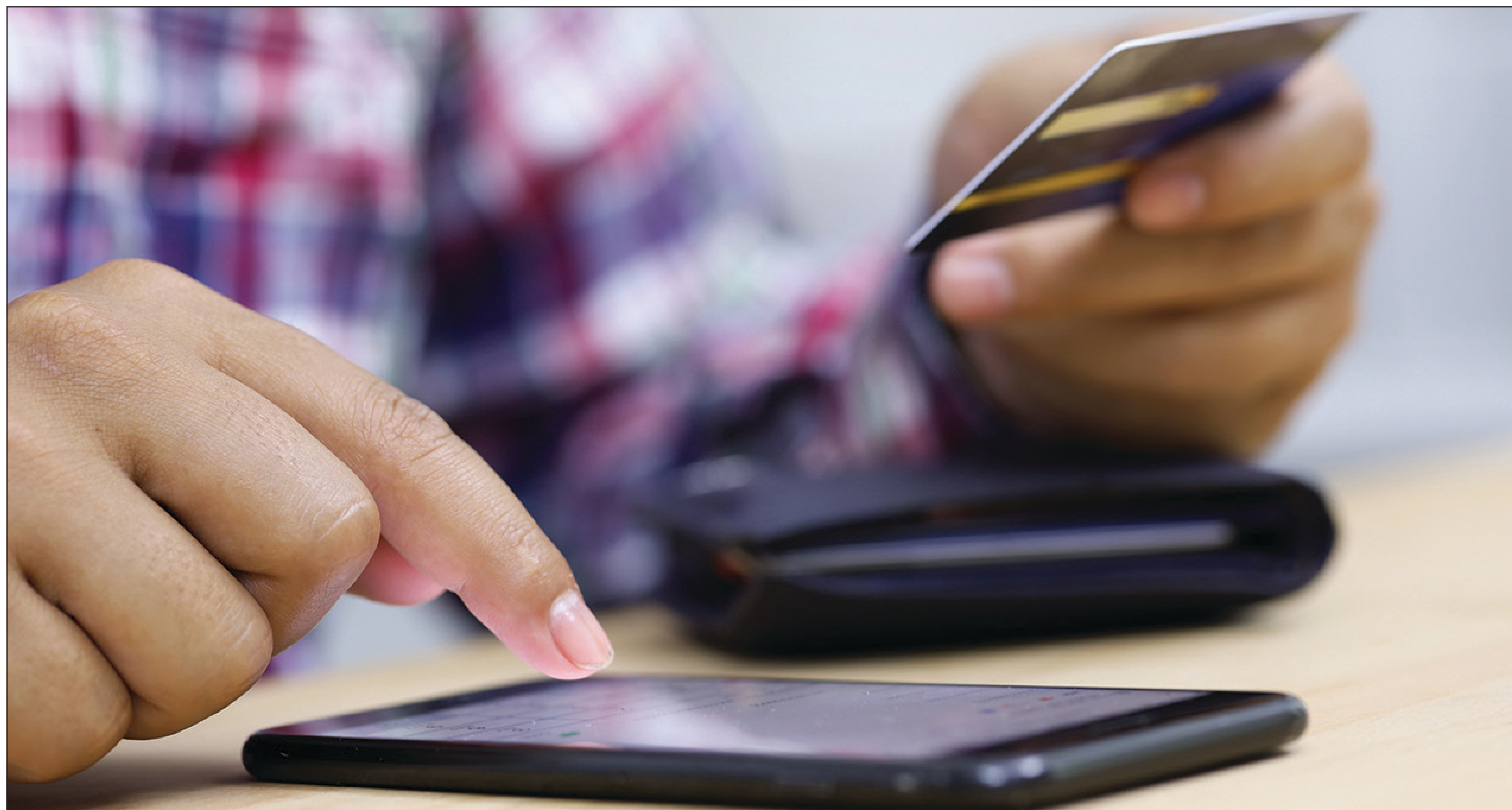


PHOTO COURTESY OF METRO EDITORIAL SERVICES

FISCAL HEALTH

New college grads are more likely to be unemployed in today's job market

MSU students securing full-time jobs within 6 months of graduation fell

By Abha Bhattarai
The Washington Post

Lucas Chung graduated in May with a hefty resume: A near-perfect college GPA, several internships and a stint running cross-country for Team USA. Since then he's applied to hundreds of jobs but has ended up with little more than a pile of rejection letters.

"I had high hopes but it's not really working out for me," said Chung, 22, who double-majored in political science and communications at St. Mary's College of California. "I'm feeling a little desperate."

Despite a surprisingly robust job market, recent college graduates have been having a harder time finding work than the rest of the population since the pandemic. This marks a sharp reversal from long-held norms, when a newly minted college degree all but guaranteed a better shot at employment. Since 1990, the unemployment rate for recent grads almost always has been lower than for the general population.

But that changed after COVID-19. New grads have consistently fared worse than other jobseekers since January 2021, and that gap has only widened in recent months. The latest unemployment rate for recent graduates, at 4.4%, is higher than the overall joblessness rate and nearly double the rate for all workers with a college degree, according to an analysis by the Federal Reserve Bank of New York.

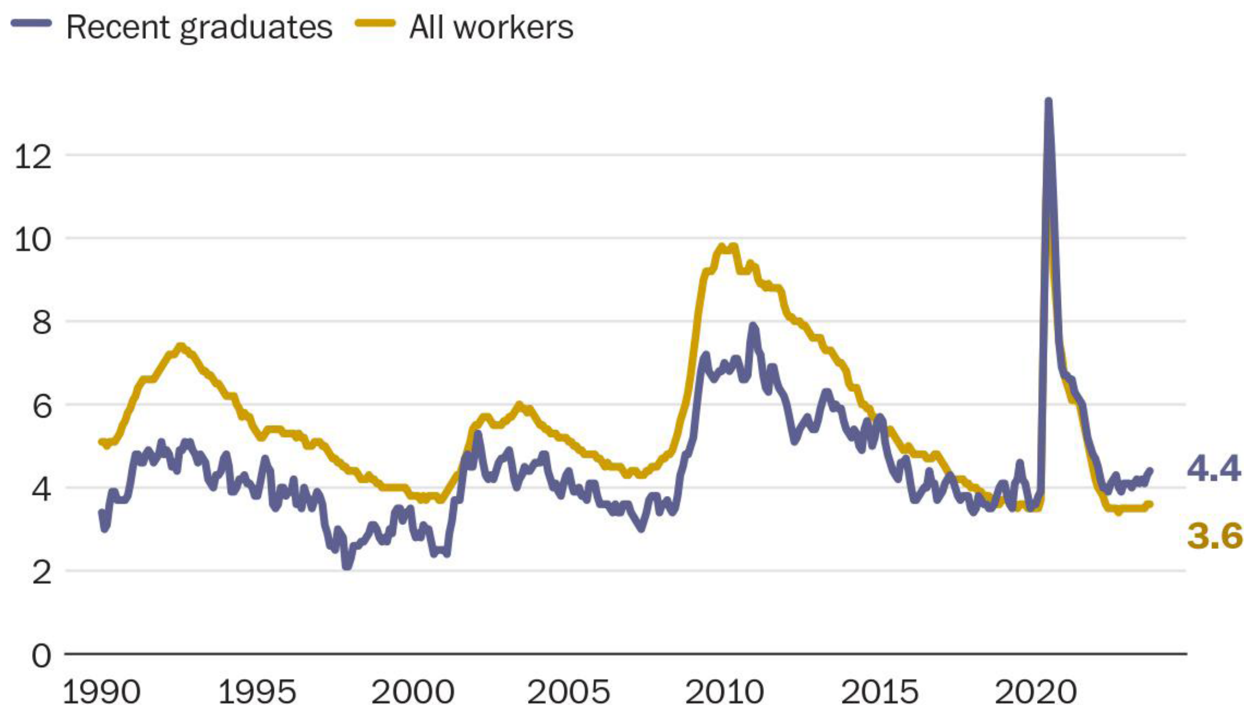
Part of the problem is that the industries with the biggest worker shortages — including restaurants, hotels, day cares and nursing homes — aren't necessarily where recent graduates want to work. Meanwhile, the industries where they do want to work — tech, consulting, finance, media — are announcing layoffs and rethinking hiring plans.

"Recent college graduates are very sensitive to the state of the labor market," said Harry Holzer, a public policy professor at Georgetown University and former Labor Department chief economist. "There's been some softening in hiring, and young people in general are the first to feel it."

The result is yet another disruption for a generation of college graduates who have already had crucial years of schooling upended by the pandemic. In interviews, many said they'd struggled to adjust to remote learning in early 2020 and felt like they had missed out on opportunities to forge connections with professors, employers and other students that could have been crucial in lining up for postgraduate work. Now, as they enter the workforce, they say they're feeling increasingly disillusioned about the economy, which is fueling political discontent and causing them to rethink the financial independence they thought they'd achieve after college.

"It's been really difficult," said Christian Torres, 24, who graduated this spring with an electrical engineering degree from Arizona State University and is still looking for work. "Even the entry-level engineering jobs want four or five years of experience. There's no way to compete, so I'm still living at home, still looking for work."

Recent grads are more likely to be unemployed than other workers



Rates are seasonally adjusted and smoothed with a three-month moving average. All workers are those aged 16 to 65; recent college graduates are those aged 22 to 27.

Source: U.S. Census Bureau and U.S. Bureau of Labor Statistics, Current Population Survey (IPUMS) via New York Fed

ABHA BHATTARAI / THE WASHINGTON POST

More than half — about 55% — of young adults lived with their parents last year, down from pandemic-era peaks but higher than in 2019, census data shows. A combination of a softening job market, ballooning student debt and lingering inflation have forced many to rethink their post-graduation living arrangements.

In California, Chung recently took the only job he could find, as a front-desk attendant for a hotel. He makes $19.20 an hour, more than the minimum wage but too little to live on in Sonoma County. He can't afford to move out of his parents' home and is still applying for work, though the rejections keep mounting, even for positions he feels overqualified for, such as receptionist or car rental agent.

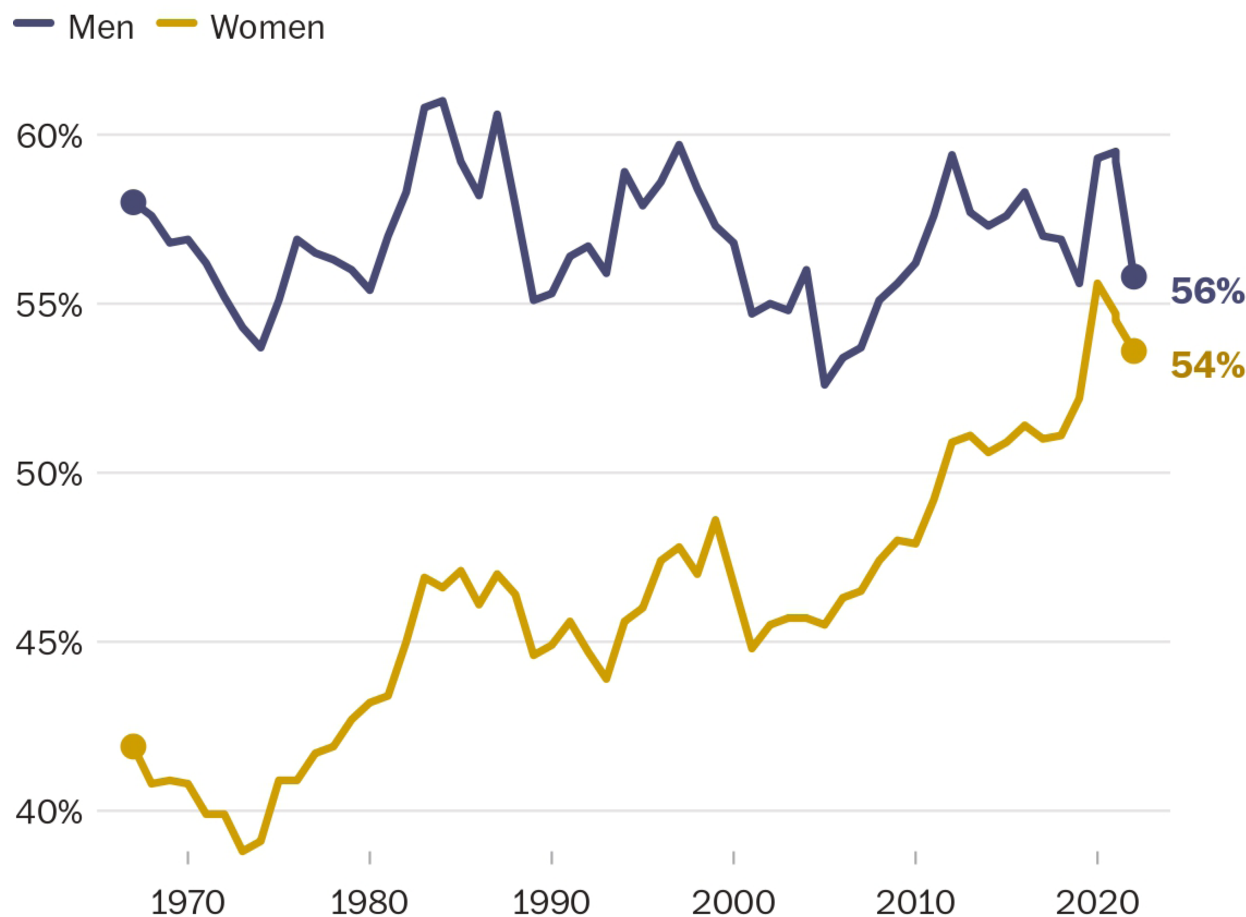
The share of recent graduates who, like Chung, are underemployed — or working in jobs that typically do not require a college degree — has picked up this year, from 38% to 40%, according to the New York Fed. By comparison, the share of all college graduates considered underemployed has remained steady at 33%.

That souring outlook is fueling broader discontent among young Americans, who are disproportionately focused on economic issues such as jobs, taxes and the cost of living, according to a recent New York Times-Siena College poll. A stunning 93% of young adults in battleground states said the economy was fair or poor, compared with 81% of the overall population, the poll showed. Meanwhile, less than 1% of adults between 18 and 29 rated the economy as "excellent," the lowest of any age group.

Those grievances could create new challenges for President Biden as he seeks reelection next year. Although 60% of young adults voted for Biden in 2020, the highest share of any age group, that support appears to be waning.

Most young adults live with their parents

Share of adults ages 18 to 24 living at home



Source: U.S. Census Bureau

ABHA BHATTARAI / THE WASHINGTON POST

"The labor market is tougher if you're a recent grad, but this is really a story about how the job market has been really good for people without a degree."

— Kory Kantenga, senior economist at LinkedIn.

"College graduates are used to having it pretty good and getting much higher earnings, much lower unemployment," said Holzer of Georgetown. "They had high expectations, and you can understand why they might feel disappointed if they're experiencing difficulty finding a job."

College officials nationwide say companies are still recruiting with gusto at campus job fairs and other events.

But there are also signs of a slowdown in actual hiring, particularly by big tech firms and consulting companies that have long been popular destinations for graduating seniors.

"Employer engagement is still very high but at the same time, we're seeing an uptick in students expressing frustration with their job searches," said Suzanne Helbig, associate vice provost of the University of California Irvine's division of career pathways. "It's become more difficult to land interviews, and not as many students are coming to us with job offers."

Similarly, at Michigan State University, the share of undergraduate students securing full-time jobs within six months of graduation fell last year, to 56% from 62% the year before. More students also reported taking on part-time work and searching for employment than in 2021.

Kyle Ciambrone, who lives in New Jersey, graduated with a marketing degree from Monmouth University in 2020 just as the world was shutting down. His options were limited, so he took a job delivering pizzas, then another one processing returns at a warehouse.

Since then he's applied to as many as 50 office jobs a week but has yet to find something long-term.

"I always just expected that you'd go to school, get your degree and end up working some sort of office job that pays enough to live on," Ciambrone, 25, said. "That's the way it worked for my dad and my brother, who's 10 years older than me. But that doesn't seem possible anymore."

The issue, some economists say, is not so much that recent college graduates are falling behind. Instead, workers without degrees are finally getting a leg up.

Demand for workers has been brisk in industries like leisure and hospitality, child care and manufacturing, which typically don't require a college degree.

Construction postings on the jobs site Indeed, for example, are up 50% from pre-pandemic levels, while software development and marketing openings have fallen about 20% to 25%.

"The labor market is tougher if you're a recent grad, but this is really a story about how the job market has been really good for people without a degree," said Kory Kantenga, senior economist at LinkedIn.

There are other dynamics at play, too. Recent graduates — who spent months, if not years, learning virtually during the pandemic — are increasingly looking for hybrid and remote work arrangements, which means competing with a large swath of applicants around the country.

They are also losing out to newly-laid off tech and media workers with real-world experience, according to Julia Pollak, chief economist at ZipRecruiter.

The slowing economy is also playing a role.

The Federal Reserve has been aggressively raising interest rates in hopes of bringing down inflation, which has brought the real estate market to a standstill and raised borrowing costs for all types of businesses.

"There's tremendous uncertainty in tech and banking — companies aren't going public, there are very few mergers," Pollak said "These companies — all destinations for college grads — are being very cautious, very cost-conscious at the moment.

And until that dynamic turns around, these younger, less-experienced workers are going to be the ones who are marginalized and stuck on the sidelines."

In Pennsylvania, Amber was finishing her junior year at a liberal arts college when COVID-19 forced everyone to go home.

She welcomed the change at first — she's introverted, she said, and felt more comfortable attending classes remotely. But now she wonders if there were drawbacks, too.

"It was hard to use my resources and connect with people," said Amber, 25, who spoke on the condition that The Post identify her by her first name for fear of putting off potential employers. "I'm a really shy person and that was even harder to do from home. I should've gone to the employment office, I should've made more connections."

Amber graduated with a physics degree in 2021 and took a job making $10 an hour at a call center. She quit a year later because of frequent harassment, figuring she could easily find another job.

That hasn't been the case: After a year and half of searching for jobs in engineering, customer service, tutoring and IT, she's still struggling to get an offer.

Amber estimates she's sent out more than 1,000 applications on Indeed.com. She's been covering rent by posting photos and videos on OnlyFans, the digital subscription service for online adult creators.

"Forget finding work that makes me happy or fulfilled," Amber said. "At this point, I'm just trying to do anything that will help me pay rent. It feels demoralizing."

Meanwhile, Chung, who's working at a hotel in California, has begun cold-calling law firms looking for work.

He's also started studying for the LSAT. Maybe, he says, he'll just go to law school.

FISCAL HEALTH

Should home equity loans be used to pay off credit card debt?

PHOTO COURTESY OF METRO EDITORIAL SERVICES

Credit card debt could be compromising the financial security and wellbeing of millions of individuals. According to the Federal Reserve Bank of New York, Americans' total credit card balance in the second quarter of 2023 was more than $1 trillion, and LendingTree reports that the average credit card balances among U.S. cardholders in December 2022 was $7,279.

Effective credit utilization is a vital component of long-term financial health. The average credit card balances suggest many consumers are putting their financial futures in jeopardy by relying too heavily on credit to fund their lifestyles.

The good news is consumers tend to have a sense of self-awareness regarding their credit usage, as a recent NerdWallet survey of more than 2,000 adult consumers found that 83% of respondents acknowledged they overspend.

Recognition of an overreliance on credit could be a solid first step toward eradicating debt, and consumers who own their homes may consider home equity loans or lines of credit in an effort to tame their debt once and for all.

What is a home equity loan?

The Consumer Financial Protection Bureau notes that a home equity loan allows homeowners to borrow money using the equity in their home as collateral.

Equity is the amount a property is currently worth minus the amount currently owed on a mortgage. So if a home is worth $500,000 and homeowners have a mortgage balance of $300,000, then their equity is $200,000.

Why do homeowners consider home equity loans to pay off debt?

One of the biggest concerns when consumers wrack up lots of credit card debt is the likelihood that they will end up paying substantial amounts of interest on that debt.

That's because credit cards typically have high-interest rates. Indeed, the LendingTree reports that even consumers with good credit may have an APR around 21% on their credit cards. That figure only grows for consumers with lower credit scores. Bankrate notes the average interest rate for a home equity loan is typically much lower than the rate on credit cards, so homeowners can theoretically save a lot of money by paying off their credit card debt with a home equity loan.

Are there risks associated with using home equity to pay off credit card debt?

Though lower interest rates and consolidated debt are two advantages to paying off consumer debt with a home equity loan, this option is risky. Perhaps the biggest risk associated with this approach is the potential of losing a home. Individuals with substantial credit card debt should know that a lack of discipline when using a home equity loan to pay off debt could result in foreclosure.

If homeowners cannot make their monthly loan payments on time, they could lose their home. In addition, Bankrate notes if a home is sold with an outstanding home equity loan balance, that balance must be repaid at once.

Home equity loans can help homeowners consolidate and ultimately eliminate their credit card debt.

However, this approach carries a level of risk, so homeowners may benefit from working with a financial advisor to determine the best way to pay off their existing debts.

— By Metro Editorial Services

Left: While interest rates change all the time, a mortgage rate lock ensures the rate on your mortgage stays the same, from the initial quote to closing.

DREAMSTIME — TNS

RETIREMENT

PHOTO COURTESY OF METRO CREATIVE CONNECTION

Various strategies can help retirees effectively manage their money so they can enjoy their golden years without having to worry about their finances.

U.S. retiree surplus is still near 2 million, years after COVID-19

By Alex Tanzi
Bloomberg

More than three-and-a-half years after COVID-19 struck, the U.S. still has around 2 million more retirees than predicted, in one of the most striking and enduring changes to the nation's labor force.

The so-called Great Retirement induced by COVID-19 is evident in the divergence between the actual number of retirees and that predicted by a Federal Reserve economic model. While down from a 2.8 million gap late last year, it remains elevated and has even risen from 1.7 million in June.

"While the gap seemed to be closing earlier in the year, it seems to have widened slightly since then," said Miguel Faria-e-Castro, economic policy adviser at the Federal Reserve Bank of St. Louis.

Before the pandemic, the participation rate for workers age 65 and older reached 20.8% before dropping two-and-a-half percentage points by July 2021. The rate has since risen a percentage point to 19.3% but remains well below the pre-pandemic high.

For many older Americans, leaving the labor market is a one-way street. While many may miss the routine and stimulation — and want to resume work for financial reasons — rejoining the workforce can be difficult.

The lack of older workers is creating some shortages.

In Michigan, a state law was tweaked to make it easier for teachers to "unretire" without risking their pensions.

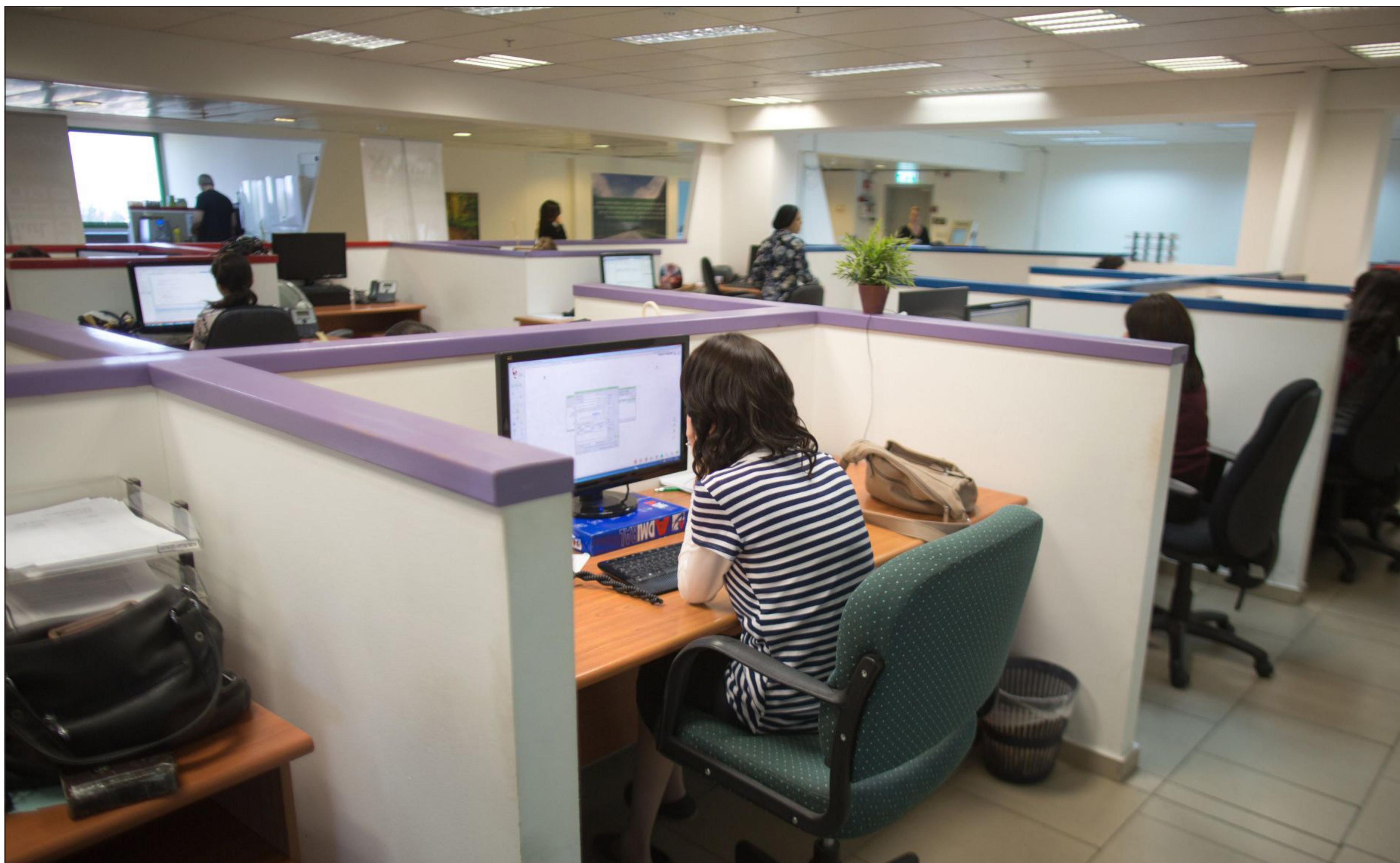
Before this summer's rise in excess retirees, there was speculation that a whole "un-retirement" wave was underway. But that seems to have not been the reality.

For many older Americans, leaving the labor market is a one-way street. While many may miss the routine and stimulation — and want to resume work for financial reasons — rejoining the workforce can be difficult.

Skills atrophy, work connections rapidly fade and job-seekers may confront ageism, all making it harder for many older workers to find a job. In 2022, the mean duration to find a job for people age 65 and older was 31.6 weeks, 9 weeks longer than the overall average.

Before the pandemic, from 2017 to 2019, roughly 3% of retired workers on average ended up having a job a year later.

RETIREMENT



MENAHEM KAHANA — AFP VIA GETTY IMAGES

There's been a growing awareness that emergency savings are key to financial health. Even a small amount of savings can help families avoid falling behind on bills or turning to high-cost loans.

Young workers and retirement savings

Young adults newly introduced to the professional arena may not immediately be thinking of the future when their careers will come to a close.

Retirement may seem like a distant goal when it's 50 years or more away. However, pushing off retirement savings because it is not viewed as a necessity could turn out to be a significant mistake.

According to Mass Mutual, the economic disruption caused by the global pandemic pushed retirement to the bottom of many workers' lists of financial priorities.

That was especially so among young professionals. A 2019 survey found roughly half of millennial and Generation Z professionals believe they are not saving enough for retirement. Student loan burdens are another reason why certain people may delay saving for retirement until they are older.

Young workers need to get the facts about retirement.

For example, The Social Security Administration says that Social Security taxes that people now pay into Social Security are used to pay benefits to current beneficiaries, not future ones.

The Board of Trustees estimates that, in 2041, and based on current law, the funds will be depleted since people are living longer and the birth rate is low. The taxes being paid now will not be enough to pay the full benefit amounts scheduled for future retirees.

Young people can no longer rely on Social Security benefits to finance their retirements in the United States.

Rather, young workers need to be proactive and take control of their own retirement savings.

Even if retirement is many years in the future, young workers need to start saving for retirement early on to be able to retire comfortably.

Consider these tips:

- Experts advise following the general rule of saving 10% to 12% of your salary when you are in your 20s, including factoring in any employer match.
- Working for companies

YOUNG » PAGE 35

DREAMSTIME — TNS

A savings account can be a useful tool to help young professionals build financial knowledge.

that offer defined-contribution plans like a 401(k) or 403(b) can make it easier for young professionals to begin saving for retirement.

▪ Setting aside a portion of your income early on in retirement savings ensures more years of savings and investments will benefit from decades of compounding.

▪ Those who contribute to a retirement plan may receive an immediate tax break because the contributions come out of paychecks before taxes are withheld. Many of these plans also offer the advantage of tax-deferred growth. This translates to not being required to pay taxes each year on capital gains, dividends or other yield distributions if the money is not withdrawn before age 59 ½. Speak with a financial advisor to learn more about tax-advantaged accounts.

▪ T. Rowe Price says certain benchmarks can help people save enough money for retirement. By age 30, you should have 0.5 times the amount of your salary. At age 35, that amount should increase to 1.5 times your salary. These numbers are based on an assumed retirement age of 65 and with a household income growth of 5% until age 45 and 3% thereafter.

▪ According to research from Qualtrics, young workers don't plan on working until they can receive full benefits from Social Security. In the study, 24% said they plan to retire early and 41% want to do so by the time they turn 50. That could spark more ambition among younger generations to save for retirement and to save more aggressively

— By Metro Editorial Services

RETIREMENT

PHOTO BY GIANRIGO MARLETTA — AFP VIA GETTY IMAGES

In the past, there were a few ways you could avoid penalties for raiding your retirement. Congress recently added several more, and some of those exceptions allow you to repay the money within three years.

How much notice should I give before retiring?

By Karla L. Miller
Special To The Washington Post

Question 1: I'm 62 and plan to officially retire seven or eight months from now. My plan is to give about three months' notice to allow for a smooth transition, but my supervisor is giving me new responsibilities and assignments, which are adding some ethical questions of timing. At what point should I notify my supervisor about my retirement plans?

Question 2: My husband asked his boss how much advance notice of his retirement plans would be needed and was told three months. Now he has decided on a retirement date and needs to inform his boss soon. How should he phrase his announcement? If the boss somehow manages to find a replacement sooner, he may cut my husband loose before he's ready. We're planning on using his paychecks during those three months to add to our retirement funds.

A: Hold up. People still retire? With, like, gold watches and farewell parties?

I joke, but only partly. First, it's commonly acknowledged that longer life expectancy, market-battered savings accounts and the climbing cost of living have moved retirement goalposts well past age 65 for many people.

And here's a darker observation: A large percentage of U.S. workers older than 50 are being pushed prematurely out of longtime jobs — too early to segue into retirement but too late to regain their footing at full income.

A pre-pandemic study by ProPublica and the Urban Institute put that percentage at 56% of workers; more recently, Forbes, USA Today and my inbox suggest this trend is continuing, if not accelerating. Giving a lengthy heads-up about retirement plans just seems to be baring your neck for the ax.

"How much notice do [employers] give when they're kicking an employee to the curb? That would be as much as I would offer [before retiring]," said Kevin Marek of Rhode Island, who spent 30 years in insurance administration before his job was eliminated with two weeks' notice.

Likewise, I would be inclined to give the same advice for retirement as for resignations: no more notice than the length of time you can afford to go without that paycheck.

But after I put out a call for readers to share their

experience, almost all respondents said they gave their employers at least 3 to 6 months' notice, and sometimes more, with no regrets or concerns.

So the traditional guideline for retirement notice hasn't expired yet. But you first need to ask yourself some questions about your individual situation.

What kind of place do I work for?

Most of the retirees advocating more notice were from academia and government, where careers are long, change is slow and hiring qualified replacements is lengthy and complex. Thus the threat of being pushed out early is minimal.

Yvonne Stam, a retired judge in Chapel Hill, North Carolina, noted that legal and medical occupations often schedule work six months to a year in advance. Giving at least six months' notice is expected "in fairness to your colleagues who have to assume your workload," she said in an email.

ELISE AMENDOLA, FILE — THE ASSOCIATED PRESS

There are lots of issues to consider when deciding when to retire.

Larger private-sector companies with redundant positions generally can more easily absorb departures, so a long heads-up may not be necessary — or advisable. But in bureaucratic or short-staffed environments, even six months to a year of notice may not be long enough.

When Karen Feldt, a nurse educator in Lancaster, Pennsylvania, gave six months' notice, responses ranged from denial ("You aren't really ready to retire") to panic ("You can't go anywhere until we get through this [project, transition, crisis]"). Her employer had not found a replacement by the time she left.

Teresa Adams of Madison, Wisconsin, actually received a promotion during her retirement notice period when her boss abruptly left for another job three months out and she was the only viable successor.

Chuck Taylor of Atlanta said a hiring freeze at his health care employer made it difficult to bring in a replacement, even with a year's notice. "They ended up engaging me on a short-term 1099 contract after my employment ended" to help train his eventual replacement, Taylor said in an email.

Who am I to this employer?

We all want to think we're indispensable, but it's crucial to have a realistic concept of the role you play.

Executive coach Emily Rothberg noted on LinkedIn that for C-suite executives, at least a year's notice of retirement is a standard succession-planning strategy "so key stakeholders ... don't panic, thinking the org is adrift, or at risk."

Amanda Cockrell, founding director of a graduate program at Hollins University, gave a full year's notice to allow time to transfer her institutional knowledge to her colleagues. "After 26 years, most of the program resided inside my personal head," she said in an email. "If I had given them only a month's notice or something like that, it would have been an awful mess."

Having unique skills or duties offers some security. Mary Ryan of Baltimore gave a year's notice to allow time to hire and train someone to take over her exclusive administrative duties. "I am the only person who does contracts, marketing and some other responsibilities" at her 25-person company, she said.

Who needs to know?

You might want to ration your notice on a need-to-know basis. Some readers notified key management or HR early in the process to allow for planning but waited to make a general announcement to colleagues to avoid an awkward lame-duck period.

If you have service milestones coming up, letting management know your plans can help protect benefits you're entitled to.

When David Jones of Kapolei, Hawaii, learned that his medical insurance employer would be outsourcing his position, he pointed out that the termination would leave him just six months shy of a crucial 15-year milestone for retiree medical coverage.

Whether out of generosity or to avoid looking as though it was illegally trying to prevent Jones from claiming that retirement benefit, the employer extended Jones's layoff date so he could meet the mark for coverage.

Conclusion

So now, having learned from these retirees, here's what I advise:

Reader 1: It's a good sign that you've been given more duties. That indicates your employer values your work — and it's good insurance against being nudged out early. You're probably safe letting at least your boss know of your retirement plans if these new tasks require a long-term commitment. But even if you're not ready to share the news, make sure you're documenting your work and communicating project details to colleagues in the meantime. They'll appreciate it later.

Reader 2: It's dicey for your husband to offer less notice than the boss specifically requested. But if he doesn't trust the employer to let him complete his exit on his schedule, he might give a shorter notice, but soften it by offering to be available post-retirement to consult, recruit and help train his replacement if needed. Paid, of course.

Whatever your situation, retiring on your own terms is ideal, as did Kelly M., a legal secretary from Seattle. Even though her employer required three months for retirement notice, she resigned with two weeks' notice. "I had seen over the years friends of mine following such requests only to be shown the door much earlier by other firms," she said. "I had my finances in order and was ready to go. No animosity on my part, but no reason to delay my departure."

RETIREMENT

PHOTO COURTESY OF METRO EDITORIAL SERVICES

Financial strategies that can help seniors grow their money

Investing is often portrayed as something people need not worry about after retirement.

The theory that people should avoid risk as they approach and reach retirement age makes sense, as the unknown of investing can expose aging individuals to losses that compromise their ability to live comfortably on fixed incomes.

Though conventional wisdom regarding financial risk and aging still makes sense, the effects of inflation over the last year-plus have highlighted how important it can be for seniors to keep growing their money even after they retire.

Fortunately, various strategies can help seniors grow their money without exposing them to considerable risk.

Seniors looking to grow their money after retirement can consider a host of options that can make them less vulnerable to inflation, including:

▪ Look into high-yield savings accounts. Interest on savings accounts was once a great way for individuals to grow their money. But interest rates on standard, no-minimum-balance accounts are now so low that the growth in interest is negligible. However, individuals with sizable savings, such as seniors, can explore high-yield savings accounts. High-yield savings accounts offer much higher interest rates than standard accounts. The rules governing eligibility to open such accounts differ between financial institutions, but many mandate that account holders have high minimum balances, typically in the neighborhood of $250,000. So long as account holders maintain that minimum balance, they can accrue penalty-free interest without exposing their money to the risks of the market.

▪ Consider other exclusive bank accounts. High-yield savings accounts are not the only way seniors' banks may be able to help grow their money without necessarily taking on market-related risk. Products such as Chase Private Client CheckingSM offer exclusive perks, including a dedicated client advisor who can work with seniors as they navigate life changes, including retirement.

▪ Consider low-risk investments. Risk aversion is not the same thing as risk avoidance. It's wise for seniors to be averse to risk, but they can still consider low-risk investments like short-term bonds as a means to growing their money in retirement. Low-risk investments can be vulnerable to inflation, not unlike money sitting in a savings account. However, certain short-term bonds, such as Treasury Inflation-Protected Securities, are designed to mirror inflation, which makes them an option worthy of consideration for seniors who have been concerned by the ways inflation has affected their financial status in recent years. According to the Department of the Treasury, the principal of a TIPS can go up or down over its term. When the bond reaches maturity, if the principal is higher than the original amount, bondholders get the increased amount. If the principal is lower at maturity, bondholders still get the original amount.

— By Metro Editorial Services

RETIREMENT

Age-based financial goals to promote long-term security

PHOTO COURTESY OF METRO CREATIVE CONNECTION

A financial planner, coach, or advisor can help you figure out what you need to do to be able to retire — without anxiety.

The importance of saving for retirement is emphasized from the moment young adults enter the professional arena.

Whether it's parents urging their grown children to save or financial firms advertising their retirement planning services or employers sponsoring retirement investment vehicles, professionals need not look far to be reminded of the significance of saving for the day when they call it a career.

Despite the ubiquity of the message emphasizing the importance of saving for retirement, millions of people are behind in their retirement savings.

A 2023 CNBC Your Money survey found that 56% of Americans feel they are not on track to retire comfortably.

Such figures can serve as a lesson for all professionals, but especially young adults who recently entered or are about to enter the professional arena. Each individual is different, and those who aspire to retire early will need to save more at a younger age than those who plan to retire at age 70 or later.

In an effort to help individuals ensure they save enough to enjoy their golden years, the financial experts at Fidelity have designed an age-based system that can serve as a guideline for professionals who want to stay on track as they save for retirement.

These figures are based on retiring at age 67 and are intended to ensure such individuals can maintain their preretirement lifestyles.

Individuals who want to retire before or after that age are urged to work with a financial advisor to meet their goals.

- Age 30: Fidelity recommends individuals have at least 1x their salary saved by age 30.
- Age 35: This approach calls for individuals to have 2x their salary saved by age 35.
- Age 40: If retiring at 67 is the goal, having 3x your salary saved by age 40 can help make that a reality.
- Age 45: 4x your salary should be saved by age 45 to retire comfortably at age 67.
- Age 50: Fidelity recommends individuals have 6x their salary saved by age 50.
- Age 55: 7x your salary is the suggested savings benchmark to reach by age 55.
- Age 60: Individuals who aspire to retire at 67 are urged to save 8x their salary by the time they reach age 60.
- Age 67: When the day comes to retire at 67, Fidelity recommends individuals have 10x their salary saved.

These figures are just a benchmark and are not intended to take the place of professional financial advice.

Though these goals can serve as motivation to save, individuals should know that savings goals can exceed these recommendations, as well.

— By Metro Editorial Services

RETIREMENT

PHOTO COURTESY OF METRO CREATIVE CONNECTION

Understanding budgets, sale items and available digital coupons before shopping can help keep you from overspending and hopefully support your financial stability goals.

Financial mistakes anyone can avoid to secure your savings

Earnings go a long way toward determining an individual's financial security. However, high wages do not guarantee long-term financial security any more than lower wages ensure a future marked by a lack of financial flexibility.

Individuals are a unique variable in any financial equation, and those who can exercise and maintain some fiscal discipline are more likely to secure long-term security than those who cannot.

One way anyone can improve their chances at a secure and flexible financial future is to identify and avoid some common mistakes.

Avoiding the following mistakes can increase the chances individuals at various income levels enjoy a secure financial future:

Delay saving for retirement

Conventional wisdom says it's never too early to begin saving for retirement. Despite that, surveys indicate many adults are behind on saving.

A 2022 survey from Bankrate found that 55% of respondents indicated they were behind on their retirement savings, while 35% reported being "significantly behind."

Though laws governing retirement contributions have made it easier for people to catch up, it's still better to begin saving once you enter the professional arena, which for most people is sometime in their early to mid-20s.

The longer you delay saving for retirement, the more precarious your financial future becomes.

Spending beyond your means

The post-pandemic increase in cost-of-living has garnered considerable attention in recent years when inflation has driven up the cost of just about everything.

There's little consumers can do about the rising cost of living, but making a concerted effort to curtail spending is one way to combat the spike. However, surveys indicate many people earning significant salaries are living paycheck-to-paycheck.

For example, a 2021 report from LendingClub Corp. found that nearly 40% of individuals with annual incomes greater than $100,000 live paycheck to

PHOTO COURTESY OF METRO EDITORIAL SERVICES

paycheck, with 12% reporting they are struggling to pay their bills.

An assortment of variables undoubtedly contribute to that stark reality, and one might be a tendency for consumers to spend beyond their means. Individuals who are struggling to curtail their spending are urged to seek the help of a certified financial planner who can help them devise a budget and alleviate some of the stress and pressure associated with overspending or living paycheck to paycheck.

Poor use of credit

Credit cards can be a financial safety blanket, but that blanket can soon smother consumers who don't know how and when to utilize credit.

Reserve credit cards for emergencies and resist the temptation to use them for daily expenses, such as groceries and gas. Credit card interest rates tend to be in the double digits, so unless cardholders can pay their balances in full each month, they're only exacerbating the already high cost of living by using credit for daily expenses.

Buying too much house

Overspending on housing is another financial mistake, and arguably the one that's the most difficult to avoid.

It can be hard to walk away from a dream home, but such a decision could secure your financial future. Unfortunately, data indicates far too many individuals are spending more on housing than conventional financial wisdom recommends.

The most recent Consumer Expenditure Survey from the U.S. Bureau of Labor Statistics found that spending on housing accounted for 33% of the average household's monthly expenses and that the average household spent 88% of its after-tax income each month.

That latter figure is especially troubling, as conventional financial wisdom recommends a saving rate of 20%.

Overspending on housing greatly affects a person's ability to save and invest, so resisting the temptation to buy that expensive dream home could be the difference between a secure or scary financial future.

— By Metro Editorial Services

RETIREMENT

Tips to pick the right time to retire

PHOTO COURTESY OF METRO EDITORIAL SERVICES

Professionals work hard to achieve both short- and long-term goals. Retirement certainly qualifies as a long-term goal, and many people spend decades building and investing in a nest egg that they hope will help them enjoy their golden years to the fullest extent.

The decision regarding when to retire is affected by a host of variables, so what's a good time for one individual may not be ideal for another. However, professionals on the cusp of retirement can consider these tips as they try to pick the right time to retire.

Many individuals recognize that there's no perfect time to retire. But a few simple strategies can help professionals make the best decision possible.

▪ Consider age-related benefits. The U.S. features government-sponsored retirement income programs and it behooves individuals to familiarize themselves with the rules of those programs so they can maximize their benefits. In the U.S., Social Security benefits can begin being claimed at age 62, though those benefits will be reduced by 25%. If individuals wait until they're 66 or, in some cases, 67, to claim Social Security benefits, they will receive their full benefits. The Social Security Administration notes that those who can wait until age 70 to claim benefits will receive as much as 132% of the monthly benefit they would have received at full retirement age. These distinctions are significant, especially for people who will be looking to government-sponsored programs to provide significant financial support in retirement. Individuals who won't rely as heavily on such programs may be able to retire earlier.

▪ Pay off your debts. Carrying debt into retirement can be risky. In general, it's ideal to pay off all debts, including a mortgage and car payment, before retiring. Doing so can provide more financial flexibility and make it easier to manage unforeseen expenses, such as those incurred due to health problems.

▪ Consider your retirement living expenses. It goes without saying that a sizable nest egg will be a necessity for anyone hoping to live comfortably in retirement. But the tricky part is figuring out just how big a nest egg might need to be. In such instances, individuals can speak with a financial advisor and discuss what their retirement living expenses will be. Conventional wisdom based on the Consumer Price Index suggests individuals will need to replace between 70% and 80% of their pre-retirement income after calling it a career. But even that figure is not set in stone, as rising inflation, such as the rapid spike experienced in 2022, can quickly put retirees in financial jeopardy. By estimating the expenses they might have in retirement, individuals can begin to see just how close or far away from retirement they may be. Budget for inflation so any spike in living expenses can be easier to manage.

— By Metro Editorial Services

RETIREMENT

PHOTO COURTESY OF METRO EDITORIAL SERVICES

Three tips to catch up on your retirement savings

One need not look long or far to be reminded of the importance of saving for retirement.

Indeed, it's hard to go a single day without encountering roadside billboards, television and streaming service advertisements, and/or promotional emails touting the retirement planning services offered by an assortment of investment firms.

If those ads seem ubiquitous, it's for good reason, as saving for retirement is among the most important steps individuals can take as they look to ensure their long-term financial security.

Despite the widely accepted significance of retirement planning, studies indicate that many people are behind on saving and are aware that they're behind.

According to a recent survey from the online financial resource Bankrate, 55% of respondents indicated they are behind on their retirement savings. In addition, a Gallup poll released in May 2023 indicated that just 43% of nonretirees think they will have enough money to live comfortably in retirement.

The good news for individuals who are behind or concerned about their financial wellness in retirement is that three strategies can help them catch up on their savings.

Three simple strategies make it easier to catch up on retirement savings.

1. Take advantage of catch-up rules if you qualify. Laws governing retirement accounts in the U.S. allow individuals 50 and older to contribute more to their retirement accounts than they're eligible to contribute prior to turning 50. Bankrate notes that current laws allow individuals over 50 to contribute an extra $1,000 per year to a traditional or Roth IRA and an extra $7,500 annually to a 401(k), 403(b) or 457(b) account. That means individuals are potentially saving more for down the road and paying less in taxes today.

2. Itemize your tax deductions. The online financial resource Investopedia notes that taking the standard deduction is not for everyone. Individuals with significant amounts of mortgage interest, business-related expenses that are not reimbursed by an employer, and/or charitable donations may lower their tax obligation by itemizing their deductions. That reduction in tax obligation allows individuals to redirect those funds to their retirement accounts.

3. Cut back on discretionary spending. Perhaps the simplest, though not necessarily the easiest, way to catch up on retirement savings is to redirect funds typically spent on discretionary expenses like dining out or travel into retirement accounts. One way to feel better about this approach is to remind yourself that the less money spent on dining out and travel now means more money will be available to spend on such luxuries in retirement.

— By Metro Editorial Services

RETIREMENT

Money management tips to help retirees after they leave the workforce

What constitutes a perfect retirement is different for everyone.

Some people may imagine spending their golden years fishing their days away, while others may aspire to finally embrace their inner globetrotter. Though individuals' retirement dreams differ, every retiree will need money, which only underscores the importance of a wise and disciplined approach to money management.

Average life expectancies have risen considerably over the last several decades.

According to estimates from the United Nations Population Division, the average life expectancy for both sexes is slightly more than 79 in the U.S. Those figures are a welcome sign, but they may inspire a little fear among seniors who are concerned that they might outlive their money. No one knows how long they will live, but everyone can embrace a handful of money management strategies to increase the chances that they won't feel a financial pinch in retirement.

Various strategies can help retirees effectively manage their money so they can enjoy their golden years without having to worry about their finances, including:

▪ Study up on the tax implications of withdrawing from your retirement accounts. Every retirement investment vehicle, whether it's an IRA or a 401(k), has tax implications. Money withdrawn too early may incur tax penalties, and even money withdrawn long past retirement age could elevate retirees into a new tax bracket that could prove costly. A financial advisor can help retirees determine the tax implications of withdrawing money from their retirement accounts and may even develop a detailed guideline of when withdrawals should be made and how much should be withdrawn in a given year in order to minimize tax liabilities.

▪ Prioritize your own needs. Though retirees, particularly those with children and grandchildren, may feel an obligation to help their families in difficult financial times, generosity can be very costly for adults who have stopped working. Retirees may or may not have opportunities to generate new income, and even those who do likely won't make enough to meet their daily financial needs. Given that reality, retirees must prioritize their own financial needs, including their immediate needs and those they will have for the rest of their lives. Though it might be difficult to turn down loved ones' requests for financial help, retirees must make sure they can pay their

According to estimates from the United Nations Population Division, the average life expectancy for both sexes is slightly more than 79 in the U.S. Those figures are a welcome sign, but they may inspire a little fear among seniors who are concerned that they might outlive their money.

PHOTO COURTESY OF METRO EDITORIAL SERVICES

DREAMSTIME — TNS

AI-fueled fintech accounts are part of a new trend in the financial industry.

bills and maintain a quality of life that won't jeopardize their long-term health.

▪ Examine your housing situation. Equity in a home is a feather in the cap of many retirees. Retirees who own their homes and live in locations with high property taxes might be able to cash in on their equity by selling their homes and downsizing to a smaller home with lower property taxes. If moving is not a consideration, discuss a reverse mortgage with a financial advisor. A trusted financial advisor can highlight the advantages and disadvantages of reverse mortgages, which are a great option for some people to improve their financial well-being in retirement.

▪ Stick to a budget during retirement. The U.S. Department of Health and Human Services reports that roughly 70% of individuals who turn 65 will need long-term care in their lifetimes. That's just one expense retirees must budget for, and it's more sizable than some people may recognize. In fact, the Fidelity Retiree Health Care Cost Estimate found that the average retired couple age 65 in 2022 will need roughly $315,000 to cover health care expenses in retirement. And health care costs are just one of many expenses retirees can expect to have. Budgeting and avoiding overspending can ensure retirees have the money they need when they need it.

— By Metro Editorial Services

RETIREMENT

A Q&A about retirement planning

Idividuals need not look very far to be reminded of the importance of planning for retirement.

Television ad campaigns touting the need to plan for retirement have been front and center for many years. Banks also heavily promote their retirement planning services to account holders.

The emphasis financial firms and banks place on retirement planning underscores just how important it is for individuals from all walks of life to prioritize securing their financial futures.

Ad campaigns can make saving for retirement seem simple, but plenty of people may have questions about how to save for the days when they are no longer working.

Here are a few common questions and answers:

Why and when should I begin investing to build my retirement savings?

It's never too early to start saving for retirement. Young professionals may not be anywhere close to retirement, but that doesn't mean they can afford to put off saving for the day when they call it a career. Much of that has to do with inflation. The rate of inflation varies, but it's fair to assume that your cost of living will rise dramatically between your twenty-third birthday and your seventieth birthday.

If you choose to simply save as opposed to investing that money, your money will not grow at a rate necessary to overcome inflation. Though there's no guarantees with investing, traditional retirement investment vehicles have a proven track record of outpacing inflation. For example, Standard & Poor's 500 (S&P 500) reports that individual retirement accounts (IRAs) grew by an average of 10.8% between 1971 and 2020. Over that same period, the U.S. Bureau of Labor Statistics indicates that the dollar had an average rate of inflation of 3.99%.

It's never too early to start saving for retirement. Young professionals may not be anywhere close to retirement, but that doesn't mean they can afford to put off saving for the day when they call it a career.

How can I save for retirement?

Various investment vehicles can help people save for retirement. Many people utilize employer-sponsored 401(k) retirement plans. These allow individuals to deposit money via pretax contributions deducted from their paychecks.

For young people, enrolling in these plans as soon as they're eligible can be a great way to begin building their retirement savings, and since many people contribute between 6% and 10% of their pre-tax earnings, their take-home pay will not be significantly different once they enroll. IRAs, pension plans, certain life insurance policies, and regular contributions to personal savings accounts are some additional ways to save for retirement.

PHOTO COURTESY OF METRO EDITORIAL SERVICES

How much will I need to save for retirement?

No two people are the same, so there's no simple answer to this question. Estimates about how much people will need in retirement range from 60% to 80% of their yearly income the year they stopped working full-time.

A financial advisor can be a useful ally as people try to calculate how much they will need to save for retirement. However, the simplest answer to this common question is that there's no such thing as saving too much money for retirement so long as saving does not adversely affect other areas of your life.

What if I need money before retirement?

No law prohibits people from withdrawing funds from designated retirement accounts before they retire. However, there may be significant financial penalties and tax consequences if you do so. For example, the IRS allows penalty-free withdrawals from a 401(k) after an account holder turns 59 ½. Withdrawals made before then could be subject to federal and state income tax and a 10% penalty of withdrawn funds. Individuals are urged to speak with a financial advisor about withdrawal guidelines and penalties prior to opening a retirement account.

— Metro Editorial Services

SOCIAL SECURITY

Martin O'Malley sworn in as head of Social Security Administration

By Azi Paybarah and Lisa Rein
The Washington Post

Former Maryland Gov. Martin O'Malley was sworn in in December as commissioner of the Social Security Administration to a term that expires on Jan. 19, 2025.

This comes after the Senate confirmed him as the agency faces looming questions about its long-term solvency, systemic dysfunction and ability to handle day-to-day customer service requests.

O'Malley, who ran unsuccessfully for the Democratic presidential nomination in 2016, was approved by a vote of 50 to 11. A handful of Republicans joined Democrats in voting for O'Malley as the agency's commissioner after he earned a reputation as a technocrat, in part, by focusing on measuring government performance.

"Governor Martin O'Malley is the strong operational leader that the Social Security Administration needs right now," Sen. Ben Cardin (D-MD) said in a speech on the Senate floor. Referring to O'Malley's time as mayor and governor, Cardin added, "He held his team accountable and the results were incredible."

O'Malley expressed his gratitude for being chosen to lead the SSA.

"I am honored for the opportunity of a lifetime to lead Social Security's outstanding public servants forward, together, in such an important mission to help the agency to deliver critical services to the American people," he said. "Social Security is the most far-reaching and important act of social and economic justice that the people of the United States have ever enacted. For tens of millions of Americans across our country, Social Security is the difference between living with dignity or living in poverty."

President Biden nominated O'Malley in July, touting his management skills and vowing to protect benefits. The SSA has been without a confirmed secretary since July 2021, nearly two years after Biden fired Trump administration holdover Andrew Saul.

Saul, whose six-year term was scheduled to end in January 2025, previously clamped down on benefits eligibility and took an uncompromising anti-union stance. O'Malley's confirmation is to fill the remainder of Saul's term.

Kilolo Kijakazi has led the agency in an acting capacity since Saul's firing. She's blamed poor service and backlogs on staff turnover and budgets that have not kept pace with increased retirement claims from aging baby boomers. In a statement on the agency's accomplishments in 2023 that was sent hours before the Senate voted to confirm O'Malley, Kijakazi wrote that, "the combined effect of the pandemic and chronic underfunding have taken a toll on our employees."

"Bottom line, we need enough well-trained employees to ensure we can meet your needs," she added.

O'Malley's confirmation also comes as Democrats and Republicans debate how to handle the sol-

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KEVIN DIETSCH — GETTY IMAGES

Former Maryland Gov. Martin O'Malley testifies during his confirmation hearing before the Senate Finance Committee.

Fact Sheet

SOCIAL SECURITY

2024 SOCIAL SECURITY CHANGES

Cost-of-Living Adjustment (COLA):

Based on the increase in the Consumer Price Index (CPI-W) from the third quarter of 2022 through the third quarter of 2023, Social Security and Supplemental Security Income (SSI) beneficiaries will receive a 3.2 percent COLA for 2024. Other important 2024 Social Security information is as follows:

Tax Rate	2023	2024
Employee	7.65%	7.65%
Self-Employed	15.30%	15.30%

NOTE: The 7.65% tax rate is the combined rate for Social Security and Medicare. The Social Security portion (OASDI) is 6.20% on earnings up to the applicable taxable maximum amount (see below). The Medicare portion (HI) is 1.45% on all earnings. Also, as of January 2013, individuals with earned income of more than $200,000 ($250,000 for married couples filing jointly) pay an additional 0.9 percent in Medicare taxes. The tax rates shown above do not include the 0.9 percent.

	2023	2024
Maximum Taxable Earnings		
Social Security (OASDI only)	$160,200	$168,600
Medicare (HI only)	No Limit	
Quarter of Coverage		
	$1,640	$1,730
Retirement Earnings Test Exempt Amounts		
Under full retirement age	$21,240/yr. ($1,770/mo.)	$22,320/yr. ($1,860/mo.)
NOTE: One dollar in benefits will be withheld for every $2 in earnings above the limit.		
The year an individual reaches full retirement age	$56,520/yr. ($4,710/mo.)	$59,520/yr. ($4,960/mo.)
NOTE: Applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every $3 in earnings above the limit.		
Beginning the month an individual attains full retirement age	None	

	2023	2024
Social Security Disability Thresholds		
Substantial Gainful Activity (SGA)		
Non-Blind	$1,470/mo.	$1,550/mo.
Blind	$2,460/mo.	$2,590/mo.
Trial Work Period (TWP)	$1,050/mo.	$1,110/mo.
Maximum Social Security Benefit: Worker Retiring at Full Retirement Age		
	$3,627/mo.	$3,822/mo.
SSI Federal Payment Standard		
Individual	$ 914/mo.	$ 943/mo.
Couple	$1,371/mo.	$1,415/mo.
SSI Resource Limits		
Individual	$2,000	$2,000
Couple	$3,000	$3,000
SSI Student Exclusion		
Monthly limit	$2,220	$2,290
Annual limit	$8,950	$9,230
Estimated Average Monthly Social Security Benefits Payable in January 2024		
	Before 3.2% COLA	After 3.2% COLA
All Retired Workers	$1,848	$1,907
Aged Couple, Both Receiving Benefits	$2,939	$3,033
Widowed Mother and Two Children	$3,540	$3,653
Aged Widow(er) Alone	$1,718	$1,773
Disabled Worker, Spouse and One or More Children	$2,636	$2,720
All Disabled Workers	$1,489	$1,537

GRAPHICS COURTESY OF SOCIAL SECURITY ADMINISTRATION

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vency of the agency, which is tasked with paying more than $1 trillion in benefits to millions of seniors and Americans with disabilities. As part of a series on dysfunction at the agency,

The Washington Post revealed that an anti-fraud program led by the agency's inspector general levied unprecedented fines on the poor and disabled.

The SSA was slow to recover from pandemic slowdowns, reopening its local field offices to the public significantly later than most local and state government operations that serve the public opened theirs.

Critics said the agency was failing to serve poor and disabled Americans who rely on face-to-face service to navigate the complex disability benefits system.

At a testy House hearing in October, lawmakers from both parties pressed a top Social Security official to defend widespread failures in the disability program. Callers on the agency's toll-free number were left on hold for an average of 36 minutes this year, up from 32 minutes last year, lawmakers noted at the hearing.

Lawmakers also cited data showing that more than 1 million Americans are still waiting for initial decisions on disability benefits that now take an average of 220 days, agency data show.

That is almost double the processing time in 2019 and far above the 60 days Social Security itself defines as its minimum level of performance.

Saul, a wealthy former apparel executive and prominent Republican donor, had served on the board of a conservative think tank that called for cuts to Social Security benefits before taking on the leadership of SSA.

He had clashed with the labor unions who accused him of using union-busting tactics and clamping down on eligibility for disability benefits. But Saul's firing as head of an independent agency — whose leadership is designed to cross administrations to minimize partisanship — also chafed many Senate Republicans, jeopardizing confirmation of a successor under Biden.

O'Malley graduated from Catholic University in Washington, D.C., in 1985, and earned his law degree from the University of Maryland School of Law in 1988. He and his wife of over 30 years, Judge Katie Curran O'Malley, have four children — Grace, Tara, William and Jack.

— Jason Alley of MediaNews Group contributed to this report