MITCHELL INVESTMENT ADVISORS, LLC
INVESTMENTS & FINANCIAL PLANNING

Jennifer G. Mitchell
112 Beech Street • PO Box 580 • Cadillac, MI 49601
(231) 775-8700 • (231) 775-8701 Fax
www.mitchellinvest.com

Registered Representative, Securities offered through Cambridge Investment Research, Inc., a Broker/Dealer, Member FINRA/SIPC. Investment Advisor Representative, Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. Cambridge Investment Research, Inc. and Mitchell Investment Advisors, LLC are separate companies and are not affiliated.



financial $UCCESS

SPRING 2025

Revisiting Your Asset Allocation

You should reassess your asset allocation periodically. To do so, follow these steps:

1. Review your desired asset allocation percentages. When designing your investment strategy, you probably decided what percentage of your portfolio to allocate to different investments. Review those percentages to see if they still make sense for your situation. Over time, how much you want to allocate to different asset classes will probably change as your personal circumstances change. However, don't make significant changes as a result of discomfort over market fluctuations. First, reevaluate these factors:

✔ **Risk tolerance** — Carefully assess your tolerance for risk so you invest in assets you are comfortable with.

✔ **Return expectations** — You need to set realistic return expectations for various investments to help ensure you meet your investment goals. While past performance is not a guarantee of future results, reviewing historical rates of return can help you assess whether your return expectations are reasonable. Keep in mind that higher returns are generally accompanied by higher risk.

✔ **Time horizon** — The longer your investment period, the more risk you can typically tolerate. Investing for long periods through different market cycles generally reduces the risk of receiving a lower return than expected, especially with investments that can fluctuate significantly over the short term.

✔ **Investment preferences** — With such a wide variety of investments to choose from, you should understand the basics of each to decide which are appropriate for you.

In general, you should consider a more conservative allocation if you are older, have short-term needs for your funds, have low earnings, or are uncomfortable with investing. A more aggressive allocation may be appropriate if you have high earnings, are younger, do not need your funds for many years, or are an experienced investor.

2. Determine your portfolio's current allocation. You should

Continued on page 2

WELCOME BILLIE SHEMER!

Please join us in welcoming Billie Shemer, Client Relationship Manager, as a valuable addition our firm. Tammy and I are excited to have Billie on our team, and appreciate her wealth of experience in banking and client service with organizations in the greater Cadillac area. Billie plays a key role in enhancing our services and supporting your needs.

In her free time, Billie enjoys kayaking, hiking and spending time with her family, including four cherished grandchildren and two vivacious dogs.

If you haven't already had the pleasure of meeting and working with Billie, we encourage you to reach out to introduce yourself. Please call Billie to extend a warm welcome or to schedule your next meeting.

Warmest regards,

Jennifer

Copyright © 2025. Some articles in this newsletter were prepared by Integrated Concepts, a separate, nonaffiliated business entity. This newsletter intends to offer factual and up-to-date information on the subjects discussed but should not be regarded as a complete analysis of these subjects. Professional advisers should be consulted before implementing any options presented. No party assumes liability for any loss or damage resulting from errors or omissions or reliance on or use of this material.

FR2024-0812-0011

Before Purchasing Stocks

Whether you're investing for the first time or buying new stocks to augment your current portfolio, there are five important questions to ask yourself:

What's your objective? Is your ideal stock one that pays a high dividend, or one that has a high growth rate with no dividends? Is it a stock with relatively little price volatility but lower potential gains, or one with a lot of potential risk and higher potential rewards?

How you answer those questions — and the stocks you choose — depends on your objectives. If capital preservation is your goal, for example, a lower-risk stock is probably preferred. On the other hand, if you're young and growth is your target, a higher potential return stock may make more sense. Whatever your objective, defining your goal is the first step to selecting stocks for your portfolio.

Is your portfolio diversified? When considering which stock to purchase, determine whether you need to target your investment in certain areas to balance out your diversification. Make sure your portfolio isn't concentrated in just one industry, but spread out over at least four or five. And there are other dimensions to consider as well, such as cap weighting (large, mid, and small), style (growth or value), and geography (U.S.-based, developed foreign markets, and emerging markets).

The benefit of diversification is that the up and down movements of different asset subclasses are not completely correlated, so over time, losses in one industry or subclass may be offset by gains or lesser losses in another.

What's your expected holding period? If you're looking to trade for quick gains, your expected holding period is short. In that case, you need to be sure you are timing your purchase so you're getting in near the beginning of an upswing, not the end of one.

If you are buying for the long term, on the other hand, the price you pay is less critical, as long as you don't purchase a stock in the early stages of a steep decline in value.

What's the prevailing market trend? In the 1990s, the market was so strong that almost any stock you bought was likely to go up in value. But in a trendless or declining market, it's a lot harder to find a winner, at least in the short and intermediate terms. That's because the majority of stocks move in the same direction as the market, no matter how fundamentally strong a stock may be.

At the current price, would you be paying too much? To answer this question, you'll have to consider some basic fundamentals.

First, look at the stock's price to earnings (P/E) ratio, which is its price per share divided by earnings per share. How does it compare to the stock's normal range, and how does it compare to its competitors? If the P/E ratio is high, maybe the stock is overpriced. On the other hand, if it's low, it could either be a bargain or an indication of a fundamental weakness.

In addition to the P/E ratio, you should examine the stock's past and future earnings growth rate. Then look at its price/earnings growth ratio (PEG ratio). The PEG ratio compares the stock's P/E ratio to its five-year projected earnings growth rate. A PEG ratio of 1 to 1.5 is typically considered normal. A PEG of 2.0 or higher is often a sign that a stock is overpriced, while a PEG ratio below 1 may be an indication that the stock is a bargain.

Please call if you'd like help reviewing your stock investments. ❍❍❍

Revisiting

Continued from page 1

consider all your investments, including taxable accounts, individual retirement accounts, and retirement plans at work.

3. Determine how much variation you are willing to tolerate in your asset allocation. It's unlikely that your actual asset allocation will equal your desired asset allocation, due to varying market values and rates of return. Since it is difficult to maintain precise asset allocation percentages, decide how much variation you will tolerate. For example, you may monitor your portfolio more closely if an asset class varies by 5% of your desired allocation and rebalance when it varies by 10%.

4. Decide how to move your portfolio closer to your desired asset allocation. If you have not reassessed your asset allocation for a while, you may find that significant changes are needed to get your allocation back in line. However, you may not want to make drastic changes all at once. Instead, you may want to take a more gradual approach to shifting your asset allocation. For instance, you can make new investments in assets that are underweighted in your portfolio. Periodic interest, dividends, or capital gains distributions can be redirected to other asset classes rather than reinvested in the same asset. Any withdrawals can come from overweighted asset classes.

Please call if you'd like help evaluating your asset allocation. ❍❍❍

How Do You Know If You're Saving Enough?

Most people think when they start earning more money, they'll start saving more money. But what often happens is the more you make, the more you spend. If you want financial independence, it is important to establish a savings routine. The more money you make, the more your savings rate needs to increase.

While it may seem like a daunting task, it can be accomplished. The only way to reach financial independence is if you save and live within your means. Your savings should include retirement account contributions, matching funds from your company if available, cash savings, and any other investments.

Savings at Every Age

Your 20s: You are just starting out and, hopefully, you've found a good job that pays a reasonable salary. This is the beginning of the accumulation stage, so you need to start by paying off debt if you have student loans and work to save at least 10%–25% of your income. If your employer offers a 401(k) plan, start investing right away. Try to contribute as much as possible or at least contribute as much as your employer will match.

Your 30s: Hopefully, you have now found out what you want to do for a living and have had a jump in income. You are still in the accumulation stage, so you should be increasing contributions to your retirement account and trying to contribute the maximum per year. By the end of your 30s, you'll want at least twice your annual salary saved. A simple example: If you're making $50,000 annually, you'll want to have $100,000 accumulated in savings by age 39. But remember this includes retirement accounts.

Your 40s: This is the decade of major responsibilities, as you probably have dependents. Your income may have increased as you climbed the ladder at your job or moved to a new one. And even with the increase in expenses, you'll need to also be increasing your savings rate. By the end of your 40s, you should have saved four times your salary. Now you will want to be maxing out your contributions to retirement accounts as well as monitoring your investments for performance.

Your 50s: You are now at your peak earning years and your saving rate needs to be at its highest. Your expenses are still pretty high; but by the end of this decade, you will most likely be an empty nester, and expenses should decrease. By the time you reach 59, you'll want to have saved seven times your income. Monitor your investments so you can make adjustments to increase your returns.

Your 60s: You're getting close to or have retired. Your mortgage may be paid off and expenses have decreased. Your saving should be at its peak, and you should have 10 times your income prior to retiring. You can now start to relax as you will receive distributions from your retirement accounts as well as Social Security benefits. You'll need to make sure you are informed about distribution requirements of your retirement accounts.

Your 70s and beyond: Now that you are retired, all of your expenses are being covered by your retirement account distributions and Social Security benefits. Hopefully, you have saved well and are reaping the benefits of all those years of saving.

Watch for These Warning Signs

As you go through the journey to retirement, you may not be able to accumulate the level of savings you need, but you should have acquired a good amount of savings for a comfortable retirement.

Take stock of how much you are saving every year and look for warning signs that you are not saving enough. If you experience any of the following, you need to take a hard look at your financial situation to get on track:

- ✔ You have no idea how much money you're spending every month, which means you are most likely overspending.
- ✔ You don't have savings goals or a savings plan. If you don't have goals and a plan to achieve them, you will have a hard time saving for important milestones.
- ✔ You're living paycheck to paycheck. It's time to take a serious look at your finances to see what can be reduced or eliminated.
- ✔ You're putting off saving for retirement. It will get here quicker than you think, and this is the one thing you really need to start saving for as early as possible.
- ✔ You can't pay your credit card balance in full, which means you probably have significant debt.
- ✔ You don't have an emergency fund. You know the unexpected will happen and need to be prepared. ❍❍❍



Don't Touch Your 401(k) Plan

If you leave your employer, be careful about what you do with your 401(k) funds. Your worst option is to take a distribution, pay taxes and a penalty on it, and then spend the money on something other than retirement. You have three options to keep your 401(k) funds in a tax-deferred vehicle until retirement:

✔**Leave the funds in your former employer's 401(k) plan.** Generally, you can leave the funds in your former employer's plan if your balance is at least $5,000. However, most plans will not allow you to borrow from your account once you leave the company.

✔**Transfer your funds to your new employer's plan.** Find out if your new employer's plan accepts rollovers. If so, you can typically make the rollover even before you are eligible to make contributions. However, first check out the investment options to make sure the new plan has options that will fit your investment goals. Once the funds are in your new employer's plan, you'll be able to take loans if permitted by the plan. Also, if you work past the age of 73, you won't be required to take distributions from the 401(k) plan until you retire.

If you decide to transfer the funds to your new employer's plan, get the appropriate paperwork from your new employer so the funds can be transferred directly to the new plan's trustee. Otherwise, if the funds go directly to you, your former employer will be required to withhold 20% for taxes. You must then replace the 20% with your own funds within 60 days or the 20% withholding will be considered a distribution, subject to income taxes and the 10% federal income tax penalty.

✔**Roll the funds over to a traditional IRA.** Again, you should have your former employer transfer the funds directly to the IRA trustee to avoid the 20% withholding described above. Once the funds are rolled over to an IRA, you can invest in a wide variety of investment alternatives. With a 401(k) plan, you typically have a limited number of options. If you plan on leaving part of your 401(k) balance to your heirs, an IRA usually has more flexible options than a 401(k) plan. After the funds are transferred to a traditional IRA, you can then convert the balance to a Roth IRA. ❍❍❍

Reviewing Legal Documents

Whether this is your first, second, or subsequent marriage, take a look at major legal documents to see if changes are needed:

✔**Estate planning documents** — If this is your first marriage, you may not even have estate planning documents. For those entering a subsequent marriage or with children, thoroughly review your estate planning documents. You may need to make changes.

✔**Asset ownership** — Review how assets are titled to ensure they are consistent with your estate planning goals. If assets are owned jointly with rights of survivorship, that will take precedence over any provisions in estate planning documents.

✔**Assets with beneficiaries** — These assets would include life insurance policies, retirement plans, and individual retirement accounts (IRAs). For assets with named beneficiaries, these designations will take precedence over your estate planning documents.

✔**Business arrangements** — If you are a partial owner in a business, review any agreements dealing with what happens to the business if you die or sell your interest. ❍❍❍

Financial Thoughts

With homeowners insurance costs skyrocketing lately, and expected to go up another 6% this year, more folks are considering forgoing coverage to save money. Experts say the effects of climate change — compounded with the typical inflationary pressures of late — are largely to blame. Meanwhile, the latest data from an industry trade group shows 88% of homeowners are covered, but that figure has fallen from upwards of 95% just a few years ago (Source: *Money*, 2024).

Americans wrote approximately 3.4 billion checks in 2022, down from nearly 19 billion checks in 1990, per the Federal Reserve. And that's a big reason why purchases at Target must be made with something other than a check. The retailer will no longer accept personal checks, saying it already receives extremely low volumes of them and wants to get people out the door faster.

Approximately 57% of adults under 50 who say they're unlikely to ever have kids say a major reason is they just don't want to; 31% of those ages 50 and older without kids cite this as a reason they never had them (Source: Pew Research, 2024). ❍❍❍