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The Market's Wild Ride

Courtesy of Horizon Wealth Strategies, LLC

Investors can be forgiven for feeling seasick. Since hitting record highs in late 2021 and earlier this year, major market indexes have been mostly sinking, with small-company stocks and tech shares faring the worst.

The market has endured waves of volatility as investors try to balance strong corporate fundamentals against the fear of monetary tightening as the Federal Reserve attempts to contain inflation.

It's not clear whether the market has found a floor. History shows that corrections in volatile election years — as this one promises to be—are often steeper than 10%. But absent a recession, corrections tend to be good buying opportunities.

The current unpleasantness is a reminder that stock market corrections are a fact of investing life. Since 1950, the 21 market corrections that have taken place without a recession have posted average declines of 15%, according to Goldman Sachs research. But corrections without recessions have tended to be good buying opportunities, even when you take the plunge before the trough.

Prepare for more volatility and reassess your portfolio to make sure assets are in line with long-term goals, that you have enough cash to fund near-term goals and that your assets reflect your risk tolerance.

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Buy your leased vehicle when its lease ends, advises auto expert Karl Brauer. If the lease contract was written before 2020, its "buyout price" — the amount the lessee can pay to purchase the vehicle at lease's end — was based on prepandemic used-car values. But values have risen so sharply since then that the average vehicle coming off lease in late 2021 is worth 31% more than its buyout price. Leased VW Tiguans, Dodge Chargers and Chevy Camaros are worth more than 50% over buyout prices. You can continue driving your formerly leased vehicle or sell it for a profit.
Source: iSeeCars.com

Hotel freebies: If you ask at the front desk, most hotels can provide free toiletries, including shaving cream, mouthwash and deodorant. You also may be able to borrow chargers for phones, tablets and lap-tops. Higher-end hotels often lend umbrellas to use for a day, transportation such as a local shuttle service, even nicer pillows. And depending where your hotel located, you might be able to borrow a bike or a canoe to enjoy the great outdoors.
Source: Lifehacker.com

Borrowing For College

By Jill Schlesinger, Tribune Content Agency

Let's start with a mathematical fact: although we are in a tight labor market and wages are rising, an undergraduate degree is still worth it. According to research from the Federal Reserve Bank of New York, a college education can add nearly $1 million in earnings over the course of a career, which is a 15% rate of return above what those without a degree earn.

Even those who borrow money to attend school are likely to be better off than they would have been without the degree. The big issue is that it is important not to borrow too much money to earn it.

How much is too much?

College funding experts recommend that students should borrow less than what they will earn in their first-year salary. For parents, who are increasingly helping to foot the bill, a good rule of thumb for borrowing for all children should be less than annual income.

According to the Education Data Initiative, despite horror stories of six-figure loan balances, the average federal student loan debt balance to attain a bachelor's degree in 2021 was $37,113 ($30,030 for public university students). Given that the average starting salary for the graduating class of 2020 was $55,260, it would seem that the numbers work.

But average is average, and many struggle to whittle away the debt they have accumulated. It is likely to take the average borrower 20 years to pay back their student loans and this year's graduates are projected to take 10 years to pay back $44,595 of debt if they make monthly payments of $372.

There is also a non-financial cost of student loans. In Psychology Today, Kate H. Choi Ph.D. cites research which shows that "having a sizable student debt may be hurting the mental health of young adults. Students with high debt tended to have poorer psychological functioning than those with little financial concerns." Borrowers report higher levels of tension, anxiety, and can also lead to sleep issues.

To state an obvious fact: the decisions families make about financing college will impact their lives for years and sometimes decades to come, so it is important to underscore that financial aid packages are notoriously difficult to read and compare because there is no single way that schools are required to detail scholarship, grant, and loan information.

When you have detail in hand, consult two government search tools, College Navigator and College Scorecard, which are designed to help families consider costs, graduation rates, job placement rates, and earnings of various schools. There is also a Consumer Financial Protection Bureau (CFPB) portal that can help.

Forbearance Update — New Extension: Various government actions helped nearly 37 million student borrowers push the pause button on their federal loans since March 2020. For the sixth time in two years, borrowers will get more time before the clock restarts. The new extension means that loan servicers will resume collection of payments, interest accrual, and involuntary collection of defaulted loans as of September 1, 2022.

"When we are planning for posterity, we ought to remember that virtue is not hereditary."
—Thomas Paine

Tips For Homebuyers In A Sellers' Market

By Daniel Bortz, Kiplinger's Personal Finance

Unfortunately for homebuyers, sellers will still have the upper hand this year. But these strategies can help buyers navigate today's market.

Set realistic expectations. In a time when home prices keep going up, you may have to raise your budget or broaden your home search to find a home that you can afford.

First-time buyers Shelby Brooks and DeShawna Hill, both 30, had to rethink location. "We originally wanted to live in a town closer to Ann Arbor, but we couldn't find much in our price range," says Brooks, an account manager at a medical equipment repair company. After changing gears, they bought a three-bedroom house that fit their budget in Taylor, Michigan, which is about 20 minutes outside Detroit.

Be prepared to offer more than list price. With homes selling so quickly and with sellers receiving multiple offers, "buyers often have to be bold and offer significantly above list price to have their offer chosen," says Mark J. Schmidt, a real estate broker at RE/MAX Country in central New Jersey. Bidding wars are routine now. Indeed, 41% of homes sold above list price in the four-week period ending January 9, according to Redfin.

Get preapproved for a mortgage. A mortgage preapproval is a written statement from a lender showing that you've qualified for a mortgage up to a certain amount. "Preapproval can take a day or two, or longer depending on the lender," says Bryce Kubecka, a real estate agent at Compass in Philadelphia. Another reason to get preapproved before you begin viewing homes: "Preapproval can be a reality check in terms of what you can afford," says Danielle Hale, Realtor.com's chief economist.

Be careful with "love" letters. Writing a letter to a seller explaining why purchasing their home is important to you can tug on their heartstrings. But love letters can violate Fair Housing laws that govern discrimination based on race, religion and other factors. In fact, Oregon banned real estate love letters this year for that very reason. If you want to write a heartfelt note to the seller, have your agent look it over before attaching it to your offer.

Don't waive a home inspection. Some buyers are waiving their right to a home inspection to make their offer more attractive to sellers, but that can have serious blowback, says Lee Goldberg, a real estate agent at BHHS Fox & Roach in Cherry Hill, New Jersey. "There could be huge problems lurking in a home that you can't see with the naked eye," she says.

She recommends an alternative strategy: Tell the sellers you won't make home repair requests unless they exceed a certain amount of money or unless they pose a structural, safety or environmental issue.

"I retire on Friday and I haven't saved a dime. Here's your chance to become a legend!"

Online tech-support scam. Crooks are sending ads that appear as results when consumers Google-search a company's technical-support number. The ads show a fake number, and if you call it, a scammer tries to get access to your money. This happens with online retailers such as Amazon, as well as e-mail providers, airlines and hotels. *Self-defense:* Don't use Google—go directly to the company's site to look for customer service or technical support. Don't use Alexa or Siri—they can inadvertently give you a scam number. Look closely at the URL—if it has misspellings or other oddities, it may be a scam. Don't pay for what should be free—routine customer-service inquiries don't cost money. Don't give remote access to your computer—scammers could do real damage to your finances and identity if you let them in.

Source: AARP.org

"A man is rich in proportion to the number of things he can let alone."
— Henry David Thoreau

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Preparing For The Next Recession

By James K. Glassman, Kiplinger's Personal Finance

Many investors are speculating on what happens next. Some are warning of impending recession.

But there's a problem. The main feature of any recession is that it sneaks up on you. There is a correlation between equity prices and the economy; the market almost always falls before a recession begins, and typically begins to recover before the economy does. But a close connection between equity prices and economic activity is unusual. As Paul Samuelson, the late Nobel Prize-winning economist, famously said, "The markets have predicted nine of the last five recessions."

The best way, in my view, to prepare for a recession is to take the following three steps.

1. Develop a diversified portfolio that stresses asset allocation over specific investment picking. Let your risk tolerance and time horizon determine your allocations. If you're moderately risk-averse and need to tap your portfolio in 10 years, then you might want roughly 70 percent in equities and 30 percent in fixed assets, with interest rates as low as they are now. In more-normal times, I would split the money 50-50.

2. Feed new money into the equity market and fixed income market (or fixed assets) on a regular basis. If you were to put $1,000 into a company currently trading at $100, you could buy 10 shares this month. But if the investment drops to $50 next month, you could buy 20 shares then. Think of yourself as an accumulator of shares over time.

3. Remember to rebalance your portfolio regularly -- say, every six months. If you're trying to maintain a 60 to 40 equity-fixed income ratio and equity prices soar, then favor the fixed income market over the equity market to bring the ratio back to your target.

And that's it.

Please keep in mind that a program of regular investing or diversification does not ensure a profit or protect against loss in declining markets.