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Smart Financial Habits

Courtesy of Michael Davis, CFP®, ChFC®, CLU®, CLTC®

Here are a few nuggets from a recent article in Forbes, titled Smart Financial Habits The Wealthy Follow. I hope you find something you can use.

Living Below Their Means

My dad, who started our firm back in 1959, would preach the following from the mountain tops: "The key to lifelong financial success is to *always* live below your means." This one aphorism has made my life richer, deeper and more fulfilling.

Valuing Their Time

If the time it takes to do a thing is more valuable than the cost someone else doing it, outsource it. I can make $XX in the two hours it takes me to go to the grocery store, shop and get home. It will cost me $X in tips to have someone else do it for me. Eliminating these distractions also helps production, thus further raising that value.

Using Insurance Strategically

The wealthy use insurance strategically. Unlike most of the population, they don't solely utilize insurance to replace lost income during their working years. The wealthy often utilize insurance as part of their estate planning, their tax strategy or even in their family banking.

Habitually Investing

Consistently invest an amount that is comfortable for your circumstances. When it comes to investing, habit and consistency are paramount.

Bright Future FINANCIAL

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Source: rewiringamerica.org

Protect your checks against fraud. Use a gel pen-it is harder for criminals to remove than ballpoint ink. Fill in all required fields so nothing can be added. If there is blank space to the right of the dollar amount you write, draw a line through the space. Always write in the intended recipients name, never make a check out to "cash."
Source: kiplingers.com

Retire Where 'The White Lotus' Was Filmed

By Brian O'Connell, Kiplinger's Personal Finance

It turns out that American retirees can not only have the same experiences as "White Lotus" travelers (minus the intrigue), but they can also wind up calling Thailand home. And while dark comedy riffs on the tension between luxury tourism and local communities, Thailand is a particularly welcoming country.

Retire in Thailand, but don't expect "The White Lotus."

"As great as the show is, 'The White Lotus' is not representative of Thailand," says Aaron Henry, founder and managing director at Foundeast Asia Co., Ltd, a Bangkok-based marketing agency. "People who are thinking about moving here should be aware of some of the positive and negative realities."

Henry, who's lived in Thailand for nine years, says he's used to fielding queries about moving to Thailand (he recently helped his old neighbors from Los Angeles retire to the country).

"Thailand is consistently recognized as one of the world's top retirement destinations," he says. "In 2023, Forbes ranked Thailand 9th on its list of the 10 best countries for retirement — the only Asian country to make the list."

Henry notes that Thailand's appeal lies in its tropical climate, world-class healthcare, and vibrant culture. "Bangkok is a diverse city culturally and across cuisines and lifestyle experiences," he says. "However, while Thailand still offers excellent value compared to the United States, the cost of living is rising, especially in Bangkok, Phuket, and Chiang Mai."

"If you find yourself in a popular tourist hub, then you'll pay more to buy and rent. If you are outside, then prices will drop considerably," said Will Hatton, founder and CEO of The Broke Backpacker, a site dedicated to adventure and travel. "For instance, you should be able to find a private apartment in Bangkok to rent for about $450 a month. If you want something more luxurious, then expect to pay more. Utilities are more than affordable and eating out won't break the bank; even groceries are on the cheaper side."

U.S. retirees thinking about Bangkok or Phuket should know foreigners can't own land in Thailand but can own condominiums.

"A (very) small condo outside Bangkok's city center might cost as little as USD 60,000, while luxury units in prime areas like Sukhumvit or Silom can exceed USD 1 million," Henry said.

Thailand's inflation has been mild and seemingly well-managed by the Thai government. Monthly utilities, including water, electricity, and internet, typically range from USD $100 to USD $150.

Travel experts say that healthcare is one of Thailand's biggest strengths.

The hospitals in Thailand are modern, the doctors are excellent, and the costs are surprisingly low.

Getting a visa can be confusing at first. If you're over 50, you can apply for a retirement visa.

It's best to get help from a local expert to avoid mistakes. Taxes can be tricky. Even if you live in Thailand, you still have to file U.S. taxes. There's a tax treaty to avoid paying twice, but it can be complicated. It's smart to talk to someone who knows both U.S. and Thai tax laws.

"The most common way people give up their power is by thinking they don't have any."
- Alice Walker

Managing Money Amid Uncertainty

By Jill Schlesinger, Jill on Money

If there is one word that keeps popping up when it comes to the economy and to markets, it is uncertainty.

Maybe the job market will be OK, but maybe it won't; maybe the economy can withstand tariffs or maybe we will slow down and slide into a recession;

maybe AI will eliminate all of our jobs, but maybe it won't; and maybe the stock market will tumble into a bear market (a drop of more than 20 percent from recent highs), or maybe it won't.

All of this uncertainty is hard to manage. When feeling overwhelmed by the news cycle, it's great to talk to wise folks, who have seen a lot in their lives and careers.

As luck would have it, I recently interviewed David Booth, the founder of Dimensional Fund Advisors and the namesake of the University of Chicago Booth School of Business.

In our interview, Booth said something striking: "Investing has a lot of similarities to life in general. Investing is complex and uncertain, so's life… you make the best decision based on your circumstances and the information you have."

With uncertainty swirling about, the best bet is to tune out the noise and concentrate on what we can control. This step-by-step process can help calm your nerves and keep you on track with your financial goals.

Step 1: Cover Your Big 3

(1) Make sure that you have 6 to 12 months of living expenses in an emergency reserve fund.

(2) Pay down outstanding high interest consumer loans.

(3) Maximize retirement contributions, to the best of your ability.

Step 2: Determine whether you need cash

Do you need to make a house down payment, purchase a car or pay a tuition bill within the next 12 months? If so, make sure that it is not invested in anything that can fluctuate (stocks, bonds, crypto) and instead, keep it in a safe account, readily accessible.

Step 3: Remind yourself why you are investing

Most of us are saving for a long-term goal, which is likely years or decades in the future. Even if you are retiring within the next couple of years, your account needs to last another 20-30 years. Considering your time horizon can help you endure painful drops in markets and in your investment accounts.

Step 4: Ask for Help

There are plenty of people who can manage their own financial lives, but others can really be their own worst enemies and make classic market timing mistakes, which leads them to buy high and sell low.

If you are hiring a pro, make sure that you know what services you are paying for; how your advisor is compensated; and be sure that they adhere to the fiduciary standard, meaning he or she is required to act in your best interest.

"The government is doing you a favor. If they didn't take most of your money, you'd have to find time in your busy schedule to spend it yourself."

Missing opportunity is always more expensive than trying to avoid risks you can't control. Some investors have been holding cash waiting for the right moment to get back in the market since the drop in 2022… 2020… Even the 2007/2008 financial crisis. That's a mistake. There's always a lurking catastrophe to fear, ranging from hyper-inflation to a tech crash to a recession. But you need to be "in to win or you won't." If you want to lower risk, don't try to time the market. Instead, harness volatility using tactics that allow you to invest as much money as you can, as soon as you can, and as consistently as you can.

Source: Bottom Line Personal

"Wealth is the product of one's capacity to think."

\- Ayn Rand

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401(k) vs Roth 401(k): Which Is Right For You?

By Adam Shell, Kiplinger's Money Power

Q. My employer is giving me a choice to contribute to a Roth 401(k) or a traditional 401(k). How do I decide which one is best for me?

A. Investing in a Roth 401(k) vs. a 401(k) all boils down to tax brackets, now and later.

Do you believe you will be in a higher or lower tax bracket during retirement than where you're at today?

The rule of thumb is if you think you'll be in a lower tax bracket in retirement than you are now, then a traditional 401(k) may make more sense. Why? You'll pay less taxes on your 401(k) withdrawals in retirement. Plus, you'll enjoy a tax-deduction in the here and now when tax rates are higher.

In contrast, if you believe your tax bracket will be higher in retirement (which is often the case for younger 401(k) savers who earn smaller salaries or those who think Congress will boost tax rates in the future), then a Roth 401(k) may be the way to go. The reason: Since you don't pay taxes on Roth 401(k) withdrawals, you're better able to minimize taxes on your other forms of income and avoid jumping up to a higher tax bracket.

Having some of your retirement savings in a Roth 401(k) also allows you to benefit from "tax diversification." If you have multiple sources of income in retirement, from say a traditional 401(k), taxable brokerage accounts, cash savings, and a Roth 401(k), you have more flexibility in deciding which account to withdraw from to minimize your tax burden.

"Tax bracket harvesting", as it has been called, refers to the strategy of pulling from more tax-efficient accounts to avoid generating additional income that could boost your tax bill. What you're doing is diversifying tax risk and providing yourself more flexibility when you get to retirement.