S.F. EHRLICH ASSOCIATES, INC.

March 31, 2025

Managing Your Money

STAN'S WORLD — SHARING CONCERNS

The other day, I saw the UPS truck stop at the end of my driveway, so I opened the door to receive whatever was about to be delivered. I casually asked the driver how he was doing, and he replied, "Not so well." The conversation then led us to politics, politicians, and policies.

The driver told me he gets into almost daily arguments with his fellow drivers, mostly about politics. One driver told him that Russia was a great country and then yelled at him for being a communist. (NOTE 1: Russia is technically not a communist nation, so it appears that one can love Russia and hate communists. Apparently, there is at least one UPS driver in New Jersey who subscribes to those views.) The driver told me the arguments are tiring, and they're wearing on him.

During the nearly 30 years that we've written this newsletter for our clients, we've made a concerted effort to avoid commenting on politics, politicians, or policies. (We also try to avoid topics related to sex, drugs, and alcohol, though I'll admit I've been close to adding a few zingers here and there.) While we plan to follow those same rules for the next 30 years, we have observed that client anxiety has risen over the past few months, and that's something we should acknowledge. (NOTE 2: If I'm still writing this newsletter in 30 years, be prepared for some very interesting content. Of course, 30 years from now, some of you may be ready for a few zingers!)

So, what have we heard from clients? Concerns about the stock market and what volatility might mean to portfolios. Inflation. Falling consumer sentiment. Tariffs and their potential impact on our spending. Exasperation about the growing split in this country between political parties and worries about where it might lead us.

Let's be candid; there's always something to worry about. Let's go back to 2007, the year the S&P 500 began its 55% drop. (Yes, you read that number correctly.) I vividly recall fielding calls from frightened clients, as well as non-clients whose advisors wouldn't answer their phones. The worry at the time was that the world was imploding, and that clients would never live long enough to recover their losses. (NOTE 3: They did.)

STAN'S WORLD — SHARING CONCERNS (CONT'D)

While there is certainly a lot going on that might cause you concern, I can't reassure you by saying that we've been here before. However, I can argue that our economy is strong enough to withstand almost any pressure exerted upon it, including recession, high unemployment, and inflation. While I'm not implying that any of those might occur, I'm confident that the economy will respond and adjust over time.

When we prepare financial plans with our clients, we never assume trees will grow to the sky (e.g., the stock market won't only go up). Our planning assumptions include volatility, encompassing markets that may decline over multiple years. If you're currently retired and drawing funds from your portfolio, we've designed your portfolio to include low-volatility investments that can be sold without significant loss to cover years of spending. We're sensitive to cash flow needs, and the portfolios we build reflect that concern.

I can't tell you to avoid discussing politics with your family (though maybe you should), with your friends (though maybe you should), and at work (you definitely should). However, I can acknowledge the reasons behind market volatility and remind you that your portfolio is positioned for your specific needs.

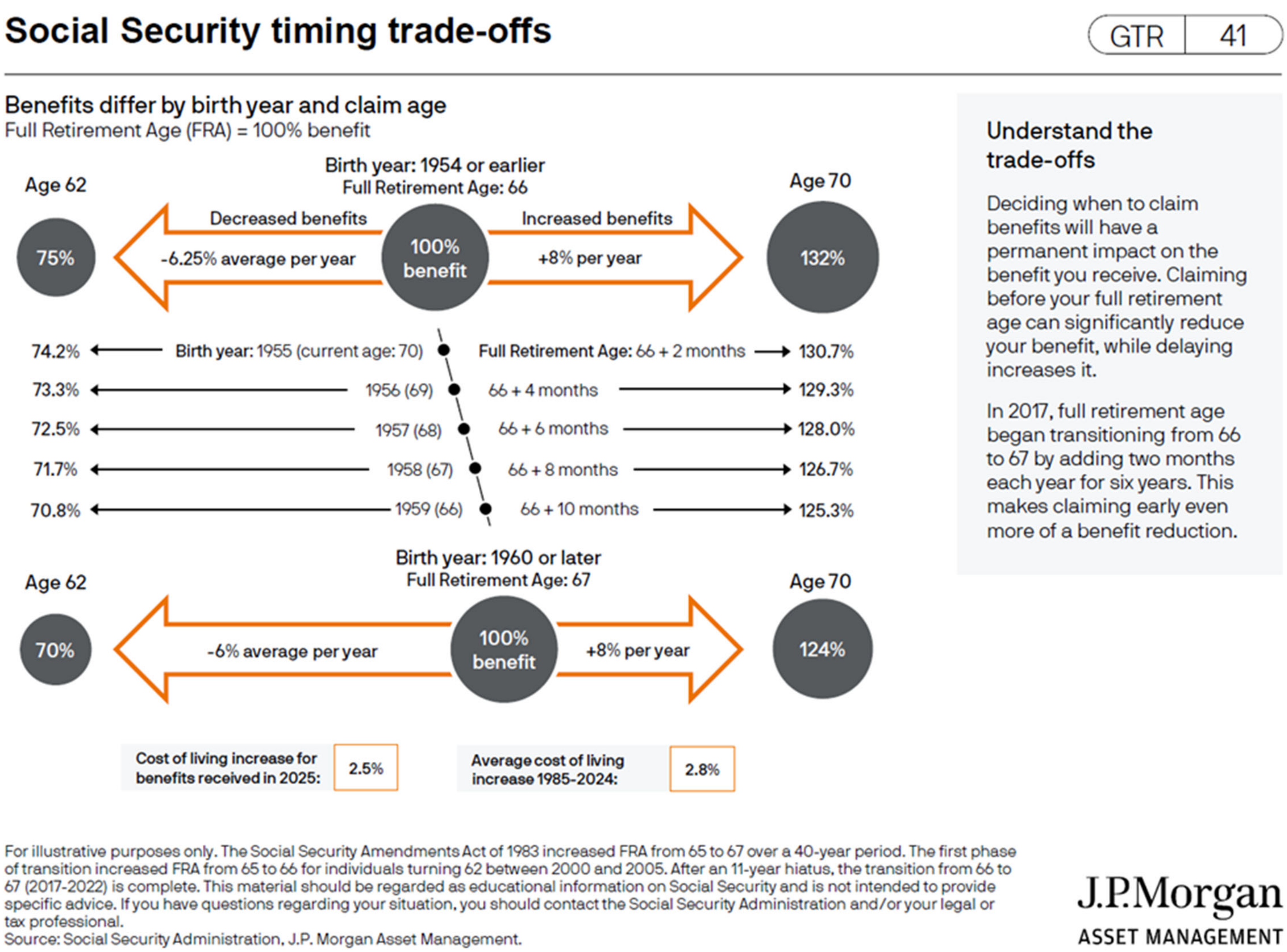
While it's easy to say that we shouldn't worry about things we can't control or events that are unlikely ever to occur, we all know it's a lot harder to put that into practice. So let me end with the same sensitivity I showed my UPS driver when he finished telling me his tale: "I didn't hear a lot of what you said because I left my hearing aids on the kitchen counter. Is that package for me?"

QUESTIONS SURROUNDING SOCIAL SECURITY

Social Security is a topic we frequently discuss with clients. The two main points of discussion: (1) At what age to begin collecting Social Security benefits; and (2) The somewhat related question: Will there be any benefits left to collect?

When should I collect Social Security?

The chart below[1] illustrates the variation in benefit sizes according to the year a retiree begins to claim them. Depending upon your year of birth, the difference between claiming benefits at the earliest age (62) and the maximum benefit age (70) is significant. For example, if 100% of full retirement benefits can be claimed at age 66, a retiree would collect 75% of those benefits at age 62, but 132% of the benefits at age 70. Of course, that conversation always leads to a third question: What if I don't live to justify waiting to age 70?

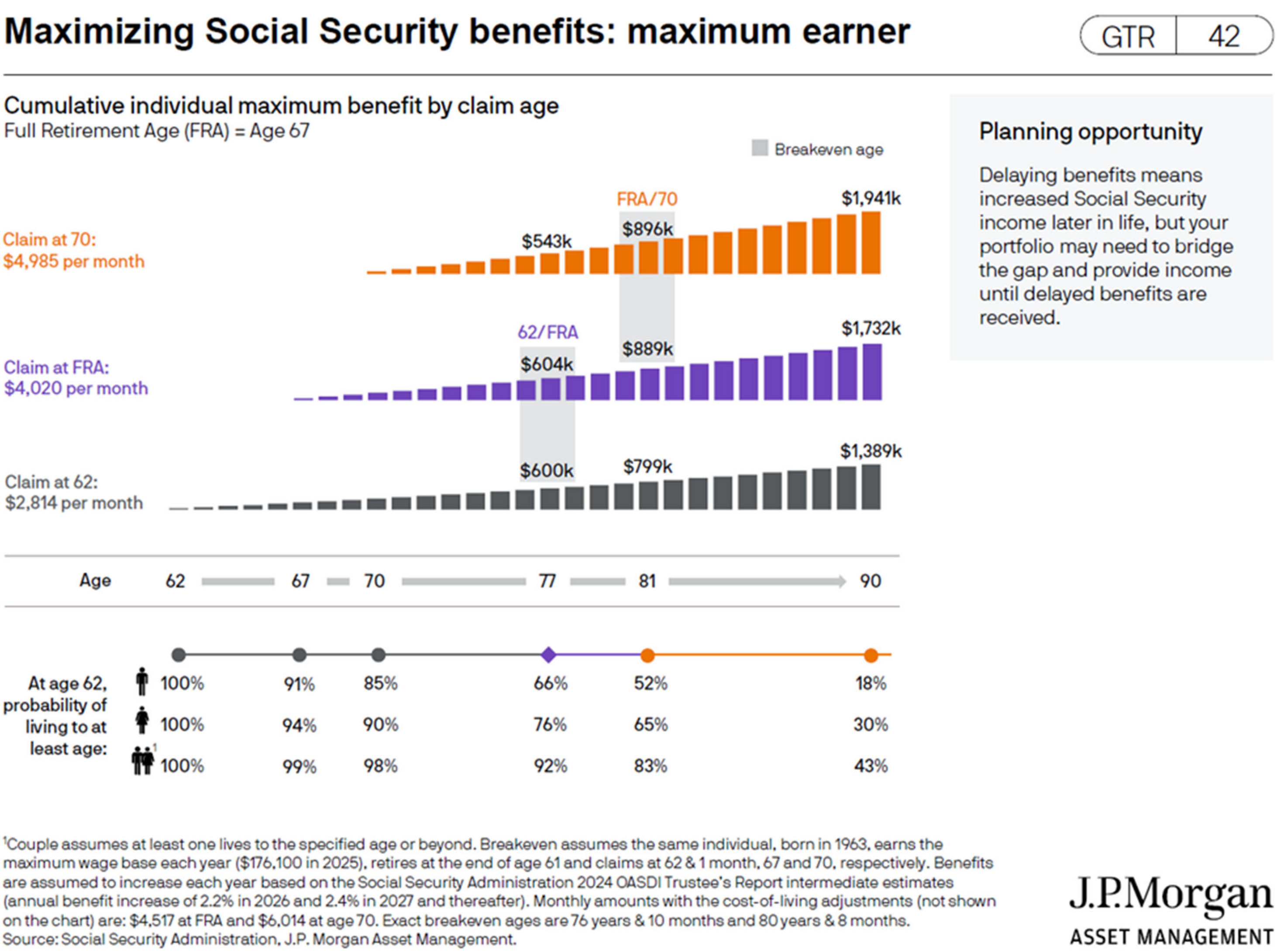


QUESTIONS SURROUNDING SOCIAL SECURITY (CONT'D)

What if I don't live long enough to justify delaying collection of Social Security?

Reviewing the chart below[2], assuming a full retirement age of 67, a 62-year-old would have to live to age 77 before the reduced benefits they would have collected between ages 62 and 77 exceed those had they waited until age 67 to collect benefits. He would also have to live to age 81 before exceeding the benefits he would have collected had he waited to collect until age 70.

What are the odds of living to age 77 or age 81? The probability of a 62-year-old male living to age 77 is 66%, and the probability of living to age 81 is 52%. For a 62-year-old female, the probabilities of living to ages 77 and 81 are 76% and 65%, respectively. But don't forget one important point: if a spouse dies, the survivor receives the higher of the two benefits the couple was receiving from Social Security. Thus, deciding when to collect benefits is often not an individual decision.

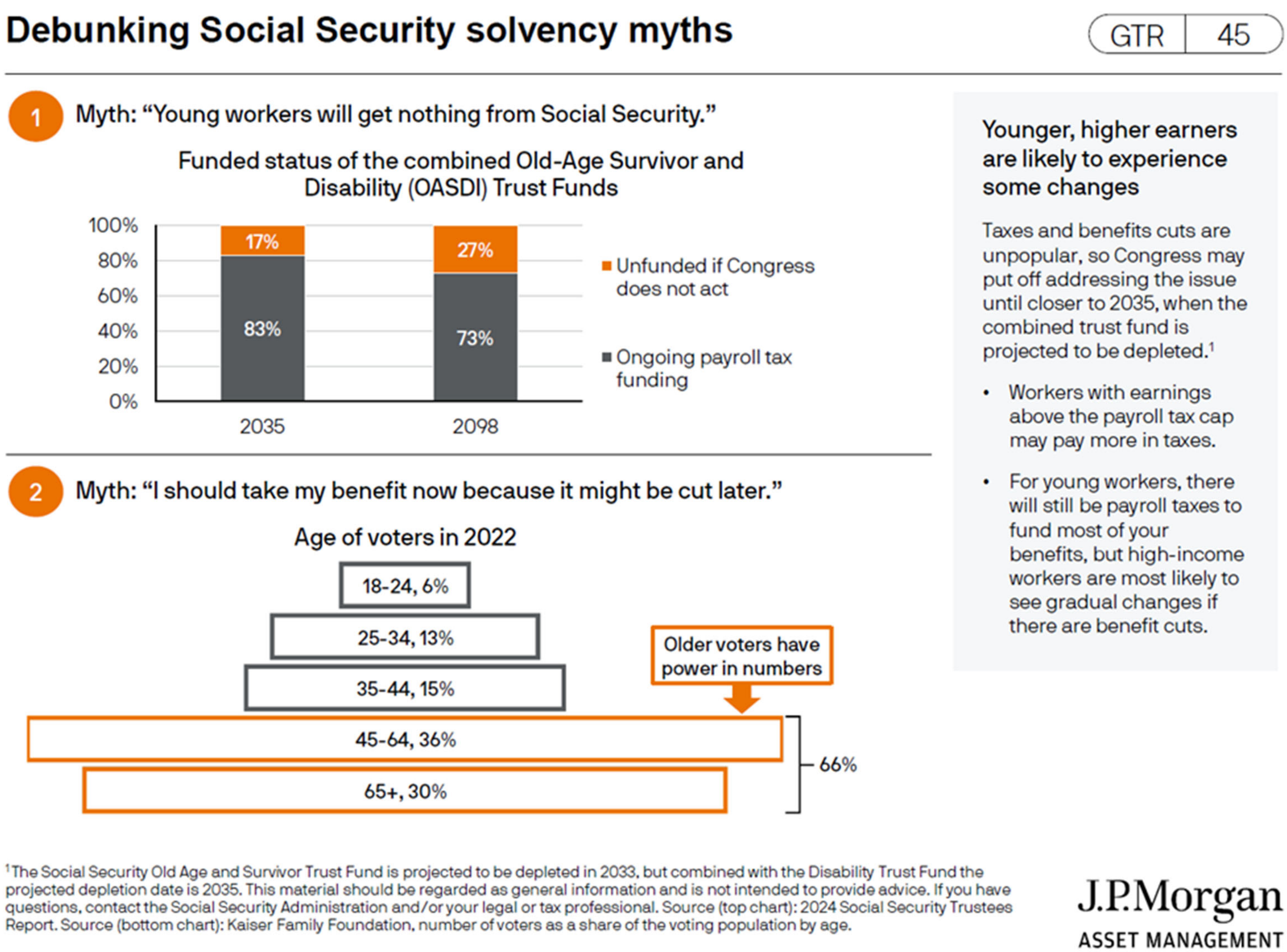


QUESTIONS SURROUNDING SOCIAL SECURITY (CONT'D)

Will Social Security be there when I need it?

If we assume Congress doesn't make any changes to current Social Security policy, the chart below[3] shows that the Social Security Trust Fund is likely to be depleted by 2035. Even so, that means retirees in 2035 (and beyond) are still likely to receive 83% of the benefits they would have received if Social Security was 100% funded. By 2098, the shortfall is likely to be 27%.

While benefits may ultimately be reduced, the fact that workers continue to pay into the Social Security system means there will always be benefits paid to retirees. Should Congress act to fix this problem, the potential shortfall will either be reduced or eliminated.



STEPS WE CAN TAKE TO SLOW COGNITIVE DECLINE

MDVIP is a national network of primary care physicians. In their "Living Well" blog[4], they discuss the importance of combating cognitive decline from an early age. “While dementia and Alzheimer’s are not natural parts of aging, some slowing down is. Like our physical health, aging affects our cognitive health…Normal age-related declines are fairly subtle and generally affect the speed of our thinking and our ability to focus or pay attention. And, of course, they affect our memory and recall.”

As we age, what can we do to slow cognitive decline?

- Take care of your whole body: “Get recommended health screenings. Manage chronic conditions like diabetes and heart disease. Work with your doctor (or pharmacist) to make sure you’re on the right medications and dosages and that you’re taking them at the right times. Treat hearing and vision loss. Get enough sleep, reduce your risk of falls and stop smoking if you currently do it.”
- Manage hypertension: “High blood pressure in your 40s, 50s, and 60s can lead to cognitive decline later in life. Get your blood pressure screened at least once a year with your doctor. Treatment can lower cognitive risks – especially dementia – substantially.”
- Eat a healthy diet: “Eating a balanced diet rich in fruits, vegetables, whole grains and lean meats like fish and poultry can keep your brain healthy. Take it easy on solid fats, sugar and salt, while controlling portion sizes.”
- Keep exercising: “You should get at least 150 minutes of exercise every week…Exercise has been shown to reduce dementia risks and boost cognitive function, increasing the size of the hippocampus and improving memory.”
- Stay mentally engaged: “Try a new hobby or language – studies show that older adults who keep learning performed better cognitively than those who stopped.”
- Stay socially active: “Having regular contact with family, friends, and others in your community ward off loneliness and depression, both of which are linked to cognitive decline. Studies show that even digital connections – internet calls and some types of social media can help you stay connected and reduce risk.”
- Take care of your mental health: “Poor mental health can steal years from your life. People who suffer from mental health conditions live on average 10 years less – and also suffer worse cognitive outcomes. Don’t ignore depression, anxiety or stress.”
- Understand how medicines can affect the brain: “Often, cognitive issues in older adults can be related to medications. Allergy meds, sleep aids, muscle relaxers, antipsychotics, urinary incontinence meds and even drugs that relieve stomach cramps can affect cognitive health. Talk to your doctor (or pharmacist) about the medications you take.”

S.F. EHRLICH ASSOCIATES, INC.

S.F. Ehrlich Associates, Inc. has been providing financial advice on a fee-only, independent basis for over 25 years.

Managing Your Money is compiled entirely by Stanley F. Ehrlich and John Zeltmann.

Questions or comments are always welcome (and encouraged!).

Did we mention? If you have a friend or family member who you think might benefit from a discussion with us about financial planning and asset management, please pass along our phone number and email address. Long-term growth is not only crucial to portfolios, it's also critical to a business.

If you have a friend, co-worker, or relative who's in need of financial advice due to a pending or actual job loss, please give them our contact information. We're always glad to speak **pro bono** with people who need a hand.

CLIENTS: Please remember to contact S.F. Ehrlich if: a) there are any changes in your financial situation or investment objectives, b) you wish to impose, add or modify any reasonable restrictions to our investment management services, or c) you've changed your permanent residence.

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[1] "Social Security timing trade-offs," Slide 41, Guide to Retirement, J.P. Morgan. December 31, 2024.
[2] "Maximizing Social Security benefits: maximum earner," Slide 42, Guide to Retirement, J.P. Morgan. December 31, 2024.
[3] "Debunking Social Security Solvency Myths," Slide 45, Guide to Retirement, J.P. Morgan. December 31, 2024.
[4] "How Our Cognitive Abilities Decline as We Age – and 8 Things We Can Do about It." MDVIP, Aug. 2024, www.mdvip.com/about-mdvip/blog/how-our-cognitive-abilities-decline-we-age-and-8-things-we-can-do-about-it.