

GFC Report

Building Your Wealth & Retirement Income

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New Access Portals for Social Security Online Accounts

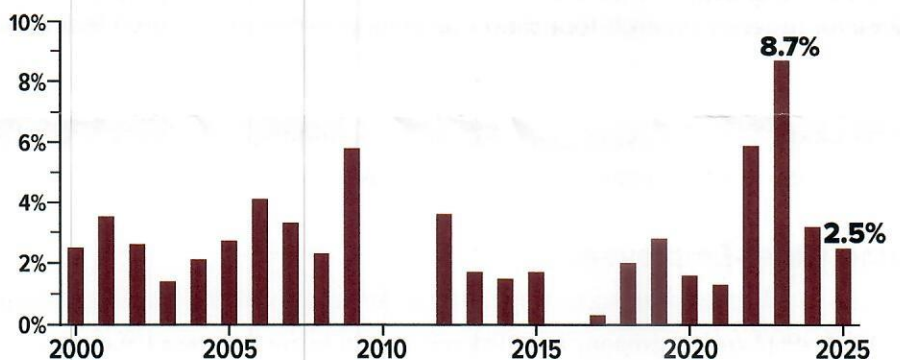
The Social Security Administration has been transitioning online account holders from *my Social Security* (ssa.gov/myaccount/) to one of two credential service providers that meet federal authentication standards: **Login.gov** or **ID.me**. This only applies to users who created a *my Social Security* account before September 18, 2021. The transition is expected to be completed by the end of 2024. For more information, visit blog.ssa.gov/how-to-transition-your-social-security-account-to-login-gov/.

Social Security COLA Lower for 2025

The 2.5% Social Security cost-of-living adjustment (COLA) for 2025 continues the return to a more typical adjustment after high inflation resulted in big COLAs in 2022 and 2023. The COLA will take effect with December 2024 benefits payable in January 2025. The percentage is based on the Q3 to Q3 change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Despite these annual adjustments for inflation, a recent study found that the buying power of Social Security benefits declined by 20% from 2010 to 2024, in part because the CPI-W is weighted more heavily toward items purchased by younger workers than by Social Security beneficiaries.

Social Security COLAs, 2000–2025



There was no COLA in 2010, 2011, and 2016.

Sources: Social Security Administration, 2024; The Senior Citizens League, July 18, 2024

PRACTICAL INSIGHTS FOR YOUR FINANCIAL GOALS

Phased Retirement Can Help Smooth the Transition

In a recent survey, 52% of workers said they would prefer to gradually decrease their hours as they transition to retirement. The percentages were even higher for Gen X (67%) and millennials (56%).¹

The federal government has offered a formal phased retirement program since 2014, allowing eligible full-time employees to collect half their pensions while working half time. Typically, at least 20% of their remaining work hours must be spent mentoring younger workers. And their pensions continue to grow based on part-time work.²

Private industry has been slower to adopt formal programs, with only 16% of employers — mostly larger companies — having regular phased retirement programs. However, 61% of companies have some experience with phased retirement, and — with strong employee interest — it's likely that more will adopt formal programs.³

Win-win-win solution

A phased retirement program can be a positive experience for employees, employers, and customers.

For older employees, a reduced schedule offers a more gradual financial transition, maintaining a steady, if reduced, income that can help delay taking Social Security benefits and/or tapping retirement savings. Trying to live on 80% of salary, for example, might also be good practice for retirement budget management. And staying engaged in the workplace can offer mental and psychological benefits.

For employers, older workers provide experience and institutional knowledge that can help maintain and improve current quality while mentoring younger workers to help ensure a smoother transition to the next generation. Contrary to stereotypes that older workers are less productive, recent research found no correlation between age and productivity but a strong positive correlation between job tenure and productivity.⁴

For customers, older workers can provide dependability and continuity. In some cases, customers are also older,

and long-time relationships can help maintain customer comfort levels.

Build your own program

If your company does not offer such a program, you might suggest an arrangement. Emphasize what you can continue to contribute and how it could help the company in the present and the future. But also be sure that the program will work for you. Here are some ideas to keep in mind.

- Make sure you understand the effect of reduced hours on your benefits, such as health insurance and employer pension or retirement plan contributions.
- Whereas the federal program includes a half pension with part-time wages, pensions are less common in private industry. If you cannot live on your reduced wages, you may have to use other sources of income, but you probably would not have to tap them as much as if you retired completely.
- One of the greatest benefits of phased retirement is that you could delay claiming Social Security, with your benefit increasing 8% annually after full retirement age (FRA), up to age 70. However, if you do claim Social Security before FRA and continue to work, you will receive a permanently reduced benefit for claiming early and be subject to the retirement earnings test, which may temporarily reduce your benefit payments until you reach FRA. Once you have reached FRA, the lost benefits from the earnings test will be added to your benefit amount.

If you phase out of your current job, make sure you don't end up trying to do all of your former work in fewer hours. This could be especially problematic for salaried workers in project-oriented positions. Be sure you and your supervisor are clear on the requirements of your reduced workload.

1) Benefits Pro, March 22, 2024

2) U.S. Office of Personnel Management, August 7, 2014

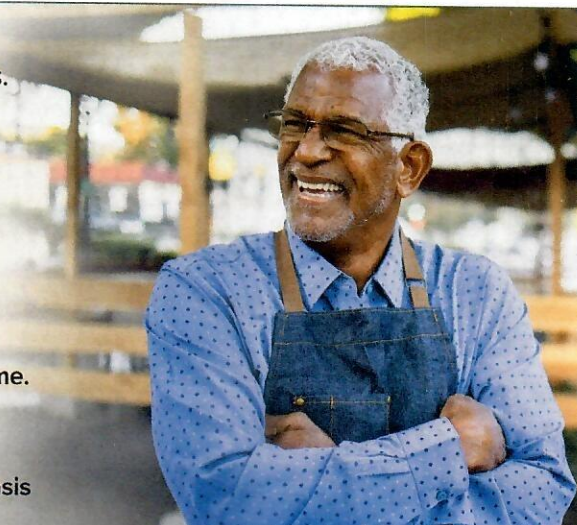
3) Fortune, March 22, 2024

4) Mercer, 2024

Valuing Older Employees

Percentage of employers who agree completely or somewhat with the following statements.

- 77%** Older employees' company knowledge is crucial to our business's success.
- 69%** We want to keep good employees as long as possible but struggle to find ways to continually advance their career path.
- 67%** We have plans for how employees nearing retirement can transfer knowledge to our business before they leave.
- 62%** We are concerned with our employees' career development.
- 55%** We have hired people who had previously retired from another company.
- 55%** We have asked employees who want to retire from full-time work to stay on part time.
- 47%** We have asked employees who have retired from our business to come back for a specific need (temporary work).
- 44%** We have asked employees who have retired to come back on a full- or part-time basis for the long term.



Could There Be a Shift from Growth to Value?

Growth stocks have dominated the market for two decades, led by large technology companies and recently riding investor enthusiasm for artificial intelligence. While this trend may continue — and no one can predict the market — extreme volatility among tech stocks in the summer of 2024 led to a period when value stocks outperformed growth stocks. Some analysts believe this could mark the beginning of a more substantial shift to value stocks, which have outperformed growth stocks during much of the market's history.¹

Value stocks are associated with companies that appear to be undervalued by the market or are in an industry that is currently out of favor. These stocks may be priced lower than might be expected in relation to their earnings, assets, or growth potential. In an expensive market, value stocks can offer bargains. An investor who purchases a value stock typically expects the broader market to eventually recognize the company's full potential, which might push the stock price upward.

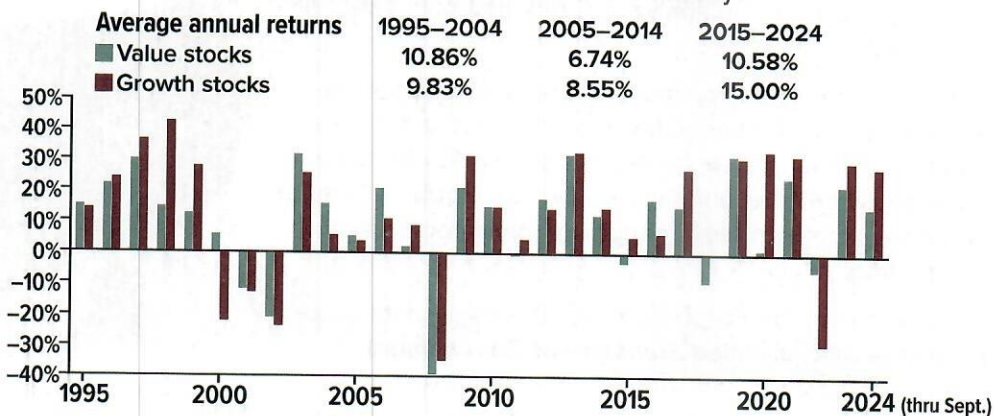
Established companies are more likely to be considered value stocks. Older businesses may be more conservative with spending and emphasize paying dividends over reinvesting profits. The potential for solid dividend returns and more established business models tend to make value stocks less volatile. One risk is that a stock may be undervalued for reasons that cannot be easily remedied, such as legal difficulties, poor management, or tough competition.

Growth stocks are associated with companies that appear to have above-average growth potential. These companies may be on the verge of a market breakthrough or acquisition, or they might occupy a strong position in a growing industry. The recent dominance of large technology stocks is one example of this.

Growth companies may be more aggressive with spending and place more emphasis on reinvesting profits

Different Styles for Different Times

The last 20 years have been a strong period for growth stocks, but value stocks outperformed in earlier periods. Annual returns have varied widely.



Source: London Stock Exchange Group, 2024, for the period 6/30/1995 (beginning of index data) to 9/30/2024. Value stocks are represented by the S&P 500 Value Total Return Index. Growth stocks are represented by the S&P 500 Growth Total Return Index. The S&P 500 Index is an unmanaged index generally considered representative of the U.S. stock market. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Investment fees, charges, and taxes were not taken into account and would reduce the performance shown if they were included. Rates of return will vary over time, particularly for long-term investments. Past performance does not guarantee future results. Actual results will vary.

than paying dividends (although many larger growth companies do offer dividends). Investors generally hope to benefit from future capital appreciation. Growth stocks may be priced higher in relation to current earnings or assets, so investors are essentially paying a premium for growth potential. This is one reason why growth stocks are typically considered to carry higher risk than value stocks.

Diversification and weighting

Value and growth stocks tend to perform differently under different market conditions (see chart). For diversification, it may be wise to hold both value and growth stocks in your portfolio, which can be accomplished by investing in broad index funds that generally include a mix of value and growth stocks. These are considered *blended funds*.

Typically, investors who follow a value or growth strategy (often called an investing style) weight their portfolios to one side or the other through funds or individual stocks. For example, let's say you want 30% of your portfolio invested in U.S. large-cap stocks. You could hold 15% of your assets in an S&P 500 index fund and 15% in either an S&P 500 value fund or an S&P 500 growth

fund. If you use a fund to emphasize value or growth in your equity portfolio, it's important to understand the fund's objectives and structure. Definitions of value and growth stocks differ among funds and may change over time within the same fund.

Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against loss. The return and principal value of stocks and stock funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. The amount of a company's dividend can fluctuate with earnings, which are influenced by economic, market, and political events. Dividends are typically not guaranteed and could be changed or eliminated.

Funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

¹) Morningstar, July 18, 2024

Read a Good Beige Book Lately?

The Federal Reserve has been at the forefront of economic news since the spring of 2022, when the central bank started aggressively raising interest rates to combat inflation. Now that the Fed has begun to lower rates, each move will continue to be analyzed for its potential effect on the economy.

The Fed's monetary policy is set by the Federal Reserve Open Market Committee (FOMC), which meets eight times each year. In making their decisions, the FOMC considers a wide array of "hard" economic data but also looks at a more informal report of economic conditions prepared before each meeting.

Commonly called the Beige Book (for the color of its cover), the report is officially titled *Summary of Commentary on Current Economic Conditions by Federal Reserve District*. Also available to the public, the Beige Book gives committee members a broad overview of the economy based on anecdotal information collected by staff members in each of the 12 Federal Reserve Bank Districts (see map).

Insider impressions

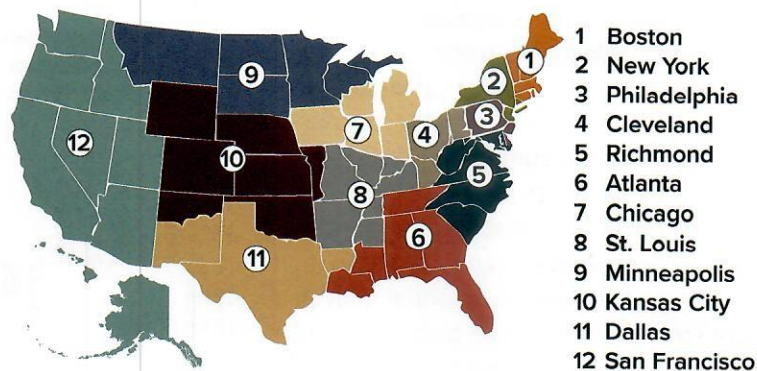
The information is gleaned from bank presidents, business leaders, economists, and other market experts who have first-hand knowledge of local business and economic conditions. A typical report may include input from company executives about how they are managing their inventories, their plans to add or reduce staff, how much money they are devoting to capital spending, whether sales are improving or worsening, what kinds of pricing pressures they are facing, and so on.

Comprehensive snapshot

Following a standardized format, the Beige Book begins with a national summary and very brief district summaries,

Federal Reserve Districts

Districts are identified by number and the city where the main reserve bank is located. Most districts also have branch reserve banks.



Source: Federal Reserve, 2024

followed by a series of district reports that each begin with sections on "Labor Markets" and "Prices" — corresponding with the Fed's dual mandate to stimulate maximum employment while controlling inflation. Other sections cover general subjects such as consumer spending, manufacturing, financial services, and real estate, as well as industries of special importance to that district. For example, districts in the South, Midwest, and West provide information on agriculture, the Boston district often reports on information technology, and the Kansas City and Dallas districts keep tabs on oil drilling.

The Beige Book is more current than many other types of economic data and is easy to understand without specialized economic knowledge. If you are interested in knowing more about current trends in your district or elsewhere in the country, you can access the Beige Book at [federalreserve.gov/monetarypolicy/publications/beige-book-default.htm](https://www.federalreserve.gov/monetarypolicy/publications/beige-book-default.htm).

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Is it time to revisit your retirement strategy? Do you have questions about your portfolio?

Call us for an appointment today.

Best Regards,

George F. Cerwin, CFP®, CLU is President of GFC Financial Management and has over 45 years of experience working with retirees and those about to retire. George offers Securities and Investment Advisory Services through **Osaic Wealth, Inc.** member FINRA and SIPC. Insurance Services offered through GFC Financial Management, not affiliated with **Osaic Wealth**. Visit our website: www.gfcfinancial.com. Our office address is 2764 Sunset Point Road, #600, Clearwater, FL 33759, and phone number 727-724-9499.