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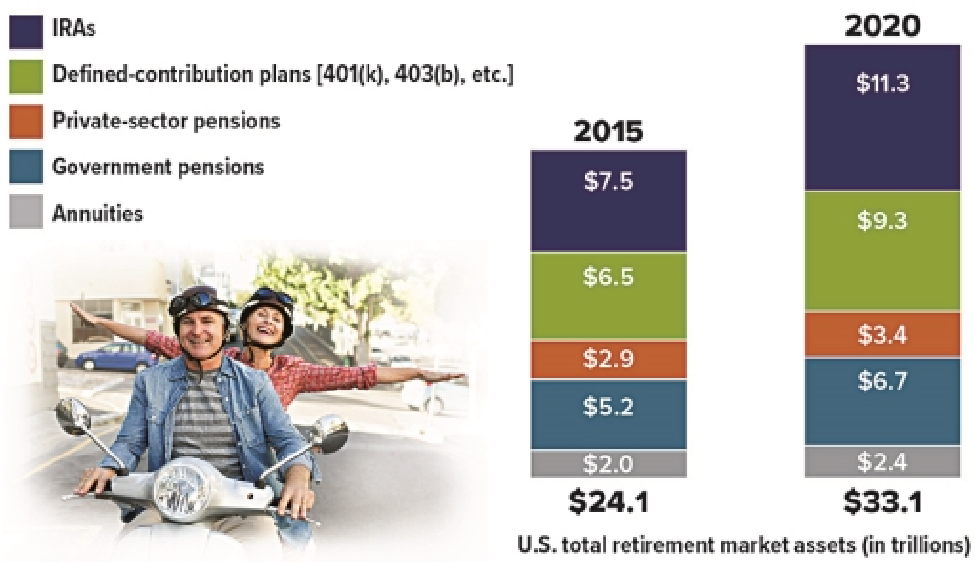
Please make sure to read John Stewart's article "Inflation Unleashed!" below.

IRAs Are Top Tool for Retirement Savings

Individual retirement accounts are the largest pool of U.S. retirement assets, which totaled $33.1 trillion at the end of the third quarter of 2020.



Source: Investment Company Institute, 2020

Inflation Unleashed!

We've been talking to investors about this topic for months now, but we finally have confirmation of what we already knew – inflation is running hot, hot, hot! The Consumer Price Index, or CPI, was reported earlier this week to have risen 0.83% month-over-month in April, which is more than 10% at an annual rate. That's the highest monthly reading since 1982! The reading for May will likely be even higher given the recent acceleration in commodities prices across the board, including spiking gasoline prices due in part to the Colonial pipeline cyberattack and shutdown that occurred this past week. The question now becomes whether the Fed will acknowledge this inflation as something that may need to be addressed with tighter monetary policy, or whether they will continue to view this environment as "transitory" and risk letting this fire burn out of control. In addition, we may begin to see some hesitation on the part of lawmakers in Washington when it comes to passing additional spending measures in amounts that begin with the letter T. Ironically, this may all set the stage for a bit of a downdraft in inflationary pressures (and possibly stock prices) as we move into the second half of the year.

It is important to remember that investing based on headlines is rarely a profitable endeavor. Once a news story has been broadly disseminated, the ability to make money off of it, at least in the short-run, has likely passed you by. Ever hear the phrase "Buy the Rumor, Sell the News"? This essentially means that you want to invest ahead of an anticipated event, and then take your profits once the event itself actually occurs. We've been encouraging investors to own assets that benefit from inflationary pressures for over a year now, and now that inflation has become one of the top new stories in the mainstream media it may make sense to take at least SOME profits on those positions.

There are many reasons to believe that we are going to be in for a summer of volatility. It may be wishful thinking on my part to start talking about summer, as we've had one of the coolest starts to the month of May in Northeast Ohio in recent memory, but we know the weather will warm up eventually. What we also expect to heat up, in addition to the aforementioned inflationary pressures I've talked about of course, is more volatility in the financial markets. While market volatility can be unsettling at times, it creates opportunities to reposition portfolios to take advantage of longer-term trends. For investors that haven't had the chance to get exposure to commodities and emerging market equities, we see any weakness as a buying opportunity to diversify away from concentrations in large U.S. stocks. For more sophisticated investors, volatility creates a rich environment for option selling, which is a strategy we have consistently recommended to enhance portfolio yield and reduce risk.

Home-Sweet-Home Equity

Buying a home is a long-term commitment, so it's not surprising that older Americans are much more likely than younger people to own their homes "free and clear" *(see chart).* If you have paid off your mortgage or anticipate doing so by the time you retire, congratulations! Owning your home outright can help provide financial flexibility and stability during your retirement years.

Even if you still make mortgage payments, the equity in your home is a valuable asset. And current low interest rates might give you an opportunity to pay off your home more quickly. Here are some ideas to consider.

Enjoy Lower Expenses

If you are happy with your home and don't need to tap the equity, living free of a monthly mortgage could make a big difference in stretching your retirement dollars. It's almost as if you had saved enough extra to provide a monthly income equal to your mortgage. You still have to pay property taxes and homeowners insurance, but these expenses are typically smaller than a mortgage payment.

Consider Downsizing

If you sell your home and purchase another one outright with cash to spare, the additional funds could boost your savings and provide additional income. On the other hand, if you take out a new mortgage, you may set yourself back financially. Keep in mind that condominiums, retirement communities, and other planned communities typically have monthly homeowners association dues. On the plus side, these dues generally pay for maintenance services and amenities that could make retirement more enjoyable.

Borrow on Equity

If you stay in your home and want money for a specific purpose, such as remodeling the kitchen or fixing the roof, you might take out a home-equity loan. If instead you'll need to access funds over several years, such as to pay for college or medical expenses, you may prefer a home-equity line of credit (HELOC).

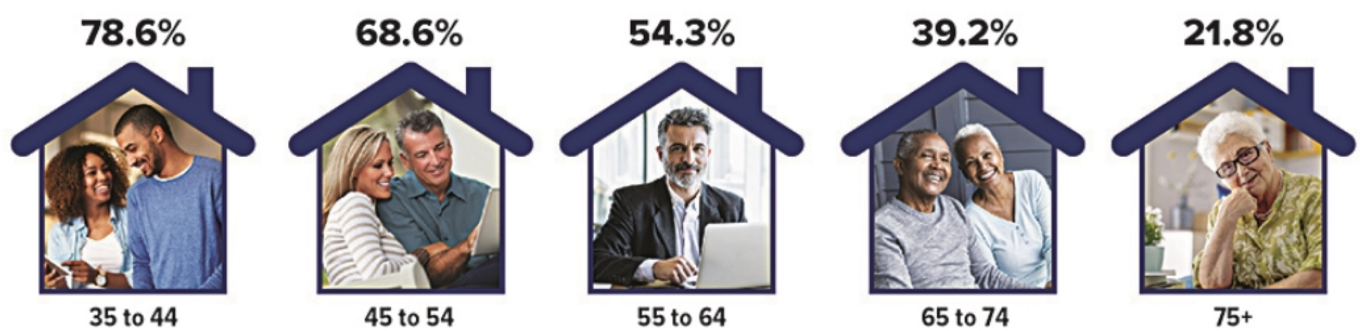
Home-equity financing typically has favorable interest rates because your home secures the loan. However, you are taking on another monthly payment, and the lender can foreclose on your home if you fail to repay the loan. In addition, you may have to pay closing costs and other fees to obtain the loan. Interest on home-equity loans and HELOCs is typically tax deductible if the proceeds are used to buy, build, or substantially improve your main home, but is not tax deductible if the proceeds are used for other expenses.

Refinance

With mortgage rates near historic lows, you might consider refinancing your home at a lower interest rate. Refinancing may allow you to take some of the equity out as part of the loan, but of course that increases the amount you borrow. While a refi loan may have a lower interest rate than a home-equity loan or HELOC, it might have higher costs that could take some time to recoup. And a new loan comes with a new amortization schedule, so even with lower rates, a larger portion of your payment may be applied to interest in the early years of the loan. Refinancing might be a wise move if the lower rate enables you to pay off a new mortgage faster than your current mortgage.

Paying Off the Mortgage

The percentage of homeowners with a primary regular mortgage declines steadily with age.



Primary regular mortgage statistics include home-equity lump-sum mortgages but not HELOCs or reverse mortgages.

Source: 2019 American Housing Survey, U.S. Census Bureau, 2020

Your Business: Minimum-Wage Laws in the Spotlight

In the November 2020 election, Florida voters approved an initiative to increase the minimum wage incrementally to $15 per hour by 2026. Eight states (plus the District of Columbia) have passed legislation to raise the minimum wage in steps to $15, but Florida is the first state to do so through a ballot measure.[1]

State labor laws vary widely, but affected small businesses may face challenges as minimum wage increases take effect over the next few years.

Twenty-nine states and the District of Columbia have minimum wages higher than the federal wage floor of $7.25, which hasn't been adjusted since 2009.[2] Some cities have enacted minimums that exceed state levels. Moreover, a few large employers have increased pay for employees nationwide, making it more expensive for smaller businesses to compete for the same types of labor.[3]

Economic Impact

Proponents of raising the minimum wage say it helps reduce poverty and income inequality, boosts consumers' buying power, and stimulates economic growth. Opponents believe that steep increases might cause jobs to be eliminated, especially in lower-wage areas. A 2021 report by the nonpartisan Congressional Budget Office estimated that raising the federal minimum wage to $15 would lift 0.9 million Americans out of poverty and cause 1.4 million job losses.[4]

Rising wage costs can be particularly hard on the balance sheets of small businesses, many of which are already struggling to stay above water during the pandemic. Increases in the minimum wage influence labor costs throughout a business, because more experienced employees generally expect to be compensated accordingly.

Survival Tips

Preparing for pending wage increases may put you in a better position to absorb the cost and limit the impact on your workforce.

- Start by cutting extraneous expenses and looking closely at your energy consumption, surplus inventory, and service contracts.
- Consider reducing your hours or streamlining your operations in other ways.
- If you must raise prices, do so carefully by researching what competitors charge, and communicate openly with customers to manage expectations.
- Before you reduce staff, focus on cross-training and retaining your most dependable employees, and hold off on hiring until you are sure you can afford the additional payroll costs.

1) *The Wall Street Journal* , November 27, 2020

2) U.S. Department of Labor, 2020

3) *Bloomberg Businessweek* , November 17, 2020

4) Congressional Budget Office, 2021