TENON FINANCIAL
RETIREMENT PLANNING & INVESTMENT MANAGEMENT

Retirement Planning Insights

December 2022

In this issue:

Up Front

End of year reflection and volunteering at the Macy's Thanksgiving Day parade

Just like that, it's December.

It truly is mind-boggling how fast time flies. I remember as a kid how slow time felt and it how it seemed to take FOREVER for anticipated dates to arrive.

Now, as an adult, the days click by concerningly fast. Weeks don't seem to take much longer. Months get ripped off the calendar faster than expected. Years pass by before I even realize they're over.

Ferris Bueller summed it up best when he said, "Life moves pretty fast. If you don't stop and look around once in a while, you could miss it."

With that said, try to enjoy and appreciate every day. Before you know it, I'll be writing my December 2023 newsletter…

In other news, my family and I volunteered again this Thanksgiving morning for the First Responders Children's Foundation's annual Macy's Thanksgiving Day parade charity brunch in New York City.

The First Responders Children's Foundation is an amazing organization that provides various means of financial and non-financial support to children who lost their first responder parents in the line of duty.

Each year since September 11th, the organization has hosted a charity brunch in Bryant Park in midtown Manhattan. In addition to having a meal at the Bryant Park Grill, attendees also get front-row access to view the parade.

After my family and I finished our volunteering duties, we got to watch a bit of the parade up close:

Happy holiday season to you all, and here's hoping to a healthy (and not so fast) 2023!

-Andy

Retirement Planning News

Who to consult if you are recently widowed

On November 23, 2022, *Kiplinger* published the article, **I'm a New Widow. Who Are the Experts I Should Consult?**

While not an uplifting topic to discuss, it's important for married couples planning for retirement to keep in mind that one spouse will likely predecease the other; it's not common that both spouses pass at the same time.

When one spouse passes, retirement plans that were based on two people need to adapt to one person. With that comes many changes; both financial and non-financial.

While each person's path in retirement will be unique, there are often many commonalities. This is particularly true in the case of loss of a spouse. The grieving process and impact on day-to-day life will be different for everyone. However, there are nonetheless some changes that apply to all people transitioning to widow(er)hood.

For example, from a purely financial perspective, tax brackets get smaller as they change from married to single. This means effective tax rates generally increase.

Also, expenses will typically decrease, but not as much as people may assume. As an example, there will be incremental decreases in things like groceries, medical bills, maybe one less car to maintain, etc. On the other hand, many major expenses remain and may not decrease much, if at all. This would include things such as mortgage payments, property taxes, utility expenses, etc.

From a non-financial perspective, there will obviously be the process of grieving. Additionally, there are often other mental and emotional wellness issues such as feeling like identity has been lost or altered.

Considering the multitude of ways in which losing a spouse will impact various aspects of life, it's often beneficial to seek professional assistance in the transition process.

While the list of professionals referenced in the article may not be comprehensive in all cases, it's at least a good summary of the main types of people to consider consulting when becoming a widow(er).

The first professional referenced is a financial advisor. Many times, the couple may have already have an advisor. However, the advisor may have been chosen by the spouse who passed and the other spouse was historically indifferent about the advisor. In that case, the surviving spouse may prefer to switch advisors to someone more connected to the widow(er)'s new priorities, concerns, goals, communication style, etc.

A financial advisor can help walk through which financial actions or opportunities need timely attention, and which ones would be better addressed further down the road.

A financial advisor can also help be a sounding board or source of information and guidance on other areas of life such as downsizing a home, moving, planning for eventual long-term care, changes in gifting or donation plans, etc.

The next professional referenced in the article is an estate planning attorney. An estate planning attorney can help walk through the process of administering and settling the deceased spouse's estate.

Estate planning attorneys can also help with the process of submitting the deceased's will to probate, doing estate tax returns, taking care of creditor notifications, facilitating asset distributions, etc.

The third professional is a therapist, grief counselor and/or other mental health professional. Maintaining emotional and mental health is crucially important, especially after a traumatic life event like the loss of a spouse.

In the face of newly entered widow(er)hood, some people may be willing and able to handle all aspects of their financial, legal and mental health issues themselves. Others prefer engaging assistance from outside professionals.

Neither option is necessarily right or better than the other. However, at least be aware of the ways in which outside professionals may be of assistance so you can decide what the best option is for you, if faced with becoming a widow(er).

Practical Retirement Planning

The proper names for the various types of U.S. Treasury bonds

With interest rates higher and, as a result, U.S. Treasury bonds back in fashion because of their greater income potential, more people are talking about Treasury bonds. With that in mind, it's important to understand the proper terminology and names for the different flavors of Treasury bonds.

To be fair, U.S. Treasury bonds were never really out of fashion. They've always served a purpose for investors in some way, shape or form. However, now that interest rates have bounced back from their freakishly low pandemic-era rock bottoms, Treasury bonds are looking more compelling now than they were a year or two ago.

Many people refer to ALL forms of investable debt from the U.S. Treasury as Treasury "bonds." That's not entirely accurate.

There's more to it than this but, for purposes of this newsletter, I'll broadly classify all Treasury bonds into two main categories: 1) marketable securities and 2) savings bonds.

Marketable Treasury securities are investable debt obligations issued by the U.S. Treasury Department. They are backed by the "full faith and credit" of the U.S. government.

They are called "marketable" because they can be bought and sold from/to other people or investors. In other words, you don't necessarily have to buy marketable Treasury securities directly from the U.S. Treasury. Instead, you can buy them in a normal brokerage account, where you'd ultimately buy them from a broker who in turn likely bought them from another broker or investor.

With regards to what I'll call "normal" Treasury securities (i.e. NOT inflation protected securities or zero coupon bonds called STRIPS), there are technically three different terms to describe them, based on their original time until maturity:

- Treasury **Bills** are issued with up to 12 months until they mature
- Treasury **Notes** are issued with original maturities greater than 12 months and up to (and including) 10 years
- Treasury **Bonds** are issued with original maturities greater than 10 years

The second broad category of Treasury bonds are savings bonds.

Unlike marketable Treasury securities, savings bonds are not bought and sold amongst investors and brokers. Instead, they're purchased directly from the Treasury, typically through www.TreasuryDirect.gov.

Similarly, when you want to get out of a savings bond, you don't sell it to a broker or other investor. Instead, you directly redeem it from the Treasury, or through a bank (who in turns redeems it from the Treasury for you).

Examples of savings bonds are the now infamous "I bond," which is a savings bond whose interest rate is directly tied to the level of inflation.

Another currently available savings bond is an "EE bond," which offers a fixed rate of interest and is guaranteed to double in value over 20 years (if the fixed rate on it is low enough to not otherwise double in value over that time).

There are also other legacy forms of savings bond no longer issued, such as HH bonds and E bonds.

As you can see, it's not technically accurate to refer to all Treasury securities as "bonds." Instead, in the case of marketable securities, they should be referred to as bills, notes or bonds. Or, for savings bonds, it's probably accurate enough to call them bonds. However, it's better to refer to them by their proper name or type, such as I bonds, EE bonds, etc.

In reality, most people outside of the industry generically use the term "bonds" to refer to all of these things. And that's okay. But if you want to sound fancy and impress your friends at parties (or maybe turn them off because you'll make yourself sound pretentious!), call them by their proper names.