Nebel Financial Services, LLC
6926 Little River Tnpk., Suite F
Annandale, VA 22003
703-658-0080 • Fax: 703-658-0097
www.nebelfinancial.com

Pauline Rosenstein, CFP®
Financial Advisor
pauline.rosenstein@saswealth.com

Andrew D. Wade, CFP®
President
andrew.wade@saswealth.com

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financial $UCCESS

FALL 2021

Staying Ahead of the Scammers

Every week, I receive calls that state, "I have been scammed." Most of the time it is a wrong click on an errant email or text. However, more recently, it is more sinister as people are being impersonated at banks or investment institutions. Imagine someone trying to open an account in your name and they have all of your personal information to do so. The good news is, the banks, credit unions, non-profits, and investment companies are on high alert and often call the real customer to verify potential transactions that are falsified. Most of the times, the perpetrator does not get very far, but it is still unnerving, and many can still cause harm. Here are a few tips to keep your private information safe.

Phishing Emails can arrive, in some cases, daily to your work or personal email. The following list is from trusted government source of what to look out for:

1) If the sender is promising a high reward of some kind - most likely it is not real

2) If the email indicates a high sense of urgency- most items are not urgent and can wait

3) Watch out for Mystery emails asking you to click 'for a surprise'

4) Strange tone in the email, does not sound like a friend or family member

5) Sender's Address is out of order: spelling, senders name vs. name within the email address, do the detail in the 'From In-box match the person that sent it, is it someone you know at all? If not, delete. . . just do not click for sure

6) Unsolicited attachments. Does the URL match the company that you know?

7) Ask around to see if others received the same questionable email

Fake Texts are now prevalent. In AARP for September 2021, they point out a few items to look out for:

1) Personal texts that include your name suggesting a relationship that does not exist

2) Texts from a company that uses emojis (companies do not us emojis)

3) Texts with obvious spelling mistakes

4) Websites that are not linked to the company that sent it

5) Texts in all CAPS

6) Texts sent time from another time zone/another country

7) Texts requesting confirmation of an account number, cell, email, or other private piece of information. Think, do you have an account there? Were you expecting this text?

Emails or tests from unknown

Continued on page 2

Bonds and Interest Rate Changes

Basically, interest rate changes affect bond prices as follows:

✔ **Interest rates and bond prices move in opposite directions.** The price of a bond will decrease in value when interest rates rise and increase in value when interest rates fall. The price of an existing bond changes to provide the same return as an equivalent, newly issued bond at prevailing interest rates. If interest rates are higher than the rate on an existing bond, the existing bond becomes less valuable because of the lower interest payments, causing the price to decrease. Since you receive the full principal value at maturity, holding a bond until maturity eliminates the impact of interest rate changes.

✔ **Interest rate changes have a more dramatic affect on bonds with longer maturities.** Since long-term bonds have a longer stream of interest payments that don't match current interest rates, their price must change more to compensate for those interest rate changes.

✔ **Bond price changes are less significant for bonds with higher coupon rates.** Bonds with coupon interest rates near or above current interest rates will experience the least amount of price fluctuation. ❍❍❍

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Staying Ahead

Continued from page 1

senders - when in doubt, Do Not Click On It! Most people think that clicking on these items only refers to the elderly. Studies have shown that even IT professionals in cybersecurity are still prone to 'clicking on' enticing emails. This happens to everyone, and it is not IF but when it will happen to you.

"Breach" letters. Unlike the categories above, you may also have received legitimate 'breach' letters from either your health insurance carrier, your bank or credit union, store credit card, or other service provider intended to notify you whether your information has been compromised or not.

1) If you receive such a notification with assurance, your information was not compromised, no action should be necessary.

2) If you receive such a notification and have been informed that your information has been compromised, I recommend you step up being vigilant as mentioned below. They may send out a letter and include an offer a free credit monitoring for one year, I recommend that you take it, if you don't already have a system in place.

In general, my precautionary recommendation is to be vigilant:

1) Monitor your bank, investment, and credit card activity at least weekly. You may want to run the free Annual Credit report you are entitled to make sure nothing on there that should not be. The website to do this is: **https://www.annualcreditreport.com/index.action**

2) If you want to take it one step further than just a checkup, then freeze your credit might be necessary. You can be assured that no one will be taking out credit in your name: buying a house or car in another part of the country. If your house is paid off and you pretty much never need to apply for 'new' credit, freezing your credit may put you at ease.

Lastly, if you decide to freeze your credit, make sure to keep good records! First, you will need to freeze the credit with all three credit bureaus (one does not notify the other two). Experion, Equifax, and Transunion all have their own systems. Secondly, the credit companies give you a PIN # specific for unfreezing and freezing your account. The login systems for freezing and refreezing can be different then logging into one of the credit bureaus to see your credit score. The last thing that is important, is to keep the date that you froze the account. An example would be, if you are turning on the electricity on a new home you are buying, the utility company may ask, "What day did you freeze your credit?" This can be annoying if you do not have the date from five years ago! This information can also come up if you decide to switch phone carriers. Any new 'pulls' on the credit report will call for an unfreeze on your credit. Again, the challenging thing of unfreezing, is this has to be done on all three credit bureaus. This is a decision you really need to think about before doing!

There are additional resources available at your bank or credit union. Please, be vigilant as you protect your information, and remember when in doubt, try to avoid unnecessary clicks!

Sincerely,

Andrew D. Wade, CFP®
President

Don't Touch Your 401(k) Plan

If you leave your employer, be careful about what you do with your 401(k) funds. Your worst option is to take a distribution, pay taxes and a penalty on it, and then spend the money on something other than retirement. By doing so, you use retirement funds and forego any further tax-deferred growth on those assets. In addition, you may incur a large tax bill, since withdrawals are subject to ordinary income taxes and a 10% federal income tax penalty if you are under age 59 ½ (55 if you are retiring).

You have three options to keep your 401(k) funds in a tax-deferred vehicle until retirement:

Leave the funds in your former employer's 401(k) plan. Generally, you can leave the funds in your former employer's plan if your balance is at least $5,000. However, most plans will not allow you to borrow from your account once you leave the company. Until you consider all your options, you might want to at least temporarily leave the funds with your former employer's plan.

Transfer your funds to your new employer's plan. Find out if your new employer's plan accepts rollovers. If so, you can typically make the rollover even before you are eligible to make contributions. However, first check out the investment options to make sure the new plan has options that will fit your investment goals. Once the funds are in your new employer's plan, you'll be able to take loans if permitted by the plan. Also, if you work past the age of 72, you won't be required to take distributions from the 401(k) plan until you retire. With traditional individual retirement accounts (IRAs), you must take withdrawals once you turn age 72, even if you are still working. If you decide to transfer the funds to your new employer's plan, get the appropriate paperwork from your new employer so the funds can be transferred directly to the new plan's trustee. Otherwise, if the funds go directly to you, your former employer will be required to withhold 20% for taxes. You must then replace the 20% with your own funds within 60 days or the 20% withholding will be considered a distribution, subject to income taxes and the 10% federal income tax penalty.

Roll the funds over to a traditional IRA. Again, you should have your former employer transfer the funds directly to the IRA trustee to avoid the 20% withholding described above. Once the funds are rolled over to an IRA, you can invest in a wide variety of investment alternatives. With a 401(k) plan, you typically have a limited number of options. If you plan on leaving part of your 401(k) balance to your heirs, an IRA usually has more flexible options than a 401(k) plan. After the funds are transferred to a traditional IRA, you can then convert the balance to a Roth IRA. ❍❍❍

Bonds: Not Just for Retirement

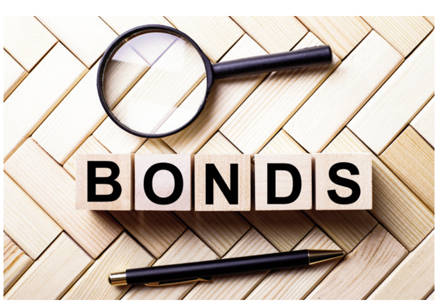
Bonds can be a good investment alternative at all stages of your life, not just when you retire.

During Childhood

Savings bonds can be a way to teach children the importance of savings and growth. Though these bonds might not have the initial thrill of toys or cash, they can provide a unique opportunity to instill in young people the basics of saving and investing and even increase the probability that you'll raise financially savvy adults. The gift that keeps on giving, savings bonds will not only provide children with intermittent interest payments to either invest, save, or spend, but a sizeable return once their bonds mature during their college years and beyond.

In Your 20s

Once you enter your 20s, bonds may no longer hold the appeal they might have afforded you as a child, but they're still useful in a more grown-up way: retirement. Though most of your growth-centered retirement account will likely be in stocks, you might also consider a small allocation of bonds as an anchor that can provide some stability to your investments. After beginning your retirement contribution plan, focus on paying off student loans and building a savings account for emergencies. If you still have extra money to work with and you have a specific goal down the road, such as graduate school or saving for a down payment on a home, annual payments from a fixed-income investment such as bonds can help you reach your goals with minimal risk. Depending on the type of bond you purchase, bonds don't come with early withdrawal penalties should you run into an emergency.



In Your 30s and 40s

Though it may seem a lifetime away, you're now a decade or two closer to retirement, so it's time to rethink your asset allocation. Even though you're more likely to be serious about investing and retirement — perhaps opening an IRA or increasing your 401(k) contributions with raises or bonuses — you may want to rethink your risk tolerance, even if you're just getting started in the investment arena. Should the market happen to take a downturn and you're still entirely invested in stocks, you no longer have as much time to recover, particularly if you plan on retiring younger. Bonds can lend more security to your portfolio, allowing you to work toward financial goals in a less risky way.

By now, you may have also inherited money from a grandparent, great uncle, or even parent. If you'd like to invest this money for a specific goal down the road, such as your children's college education or a kitchen remodel, individual bonds can provide you with semiannual interest payments, and depending on the bond type and grade, a guaranteed total return.

Approaching Retirement

Now that you're inching closer to retirement, it may be time to take a more conservative approach with your investments rather than exposing them to the volatility of the stock market. Whereas before you might have been more aggressive with your portfolio growth, you may want to consider protecting what you've worked so hard to establish by transitioning a larger portion of your portfolio to bonds.

Beyond retirement planning, bonds can help you reach specific goals, such as funding a grandchild's college education down the road or achieving your dream of a vacation home in the tropics. Because bonds come with a variety of maturity dates — whether your goals are approaching in 20, 10, or even five years — bonds can help achieve them, with less risk than stocks but most likely a better return than the savings account at your credit union.

Your Golden Years

Collecting your Social Security benefits is one thing, but you may not be as thrilled about taking distributions that might dip into your retirement principal. This can be an ideal time to begin focusing predominately on bonds, which can offer numerous advantages throughout your retirement years. At this point in your life, the goal is to retain your principal as long as possible, since it's impossible to predict how long you'll live. Additionally, the more you can preserve in the long run, the more you can leave to loved ones when you die. You'll need an investment plan that maximizes your retirement accounts by affording you with enough interest to live comfortably without liquidating your principal. Because your income is likely entirely dependent on Social Security benefits and investments, it may not be prudent to expose your retirement funds to the volatility of the stock market. A bond fund can provide enough interest to subsidize your income while preserving enough of your principal to outperform inflation. Furthermore, tax-exempt municipal bonds can help shelter you from a higher tax bracket.

Please call to discuss this in more detail. ❍❍❍

Overcoming a Fear of Investing

Many Americans are nervous about investing. While investing does come with risks that you need to be aware of, that's no reason to avoid it entirely. Here are three steps you can take to overcome that fear.

Start from a Position of Strength — If you have a mountain of credit card debt and no emergency savings, investing any of your money is likely to be a bit nerve-wracking. Before dipping a toe into serious investing, work on paying down high-interest credit card debt and establishing an emergency fund with at least six months' living expenses. The exception to the above suggestion? Investing in your retirement plan at work. If you get a company match, you may want to invest just enough in your 401(k) plan to get that money.

Get Educated — Familiarizing yourself with how markets work and with the basic principles of sound investing will help you understand that though investing comes with risk, it's hardly the same as playing the lottery. There may be no sure things when investing, but if you proceed with a smart strategy and stick with it over time, there's a good chance you'll come out ahead.

Set a Goal — By knowing what you want to achieve before you make any specific decisions about where to put your money, you'll be more likely to invest in a way that will get you to where you want to be. If your goal is to buy a house in five years, that means that investing in potentially high-return yet also high-risk stocks is not so smart — the risk that you could lose your down payment savings is simply too great. Stashing that cash in a certificate of deposit probably makes more sense. But if you're investing for retirement that's three decades away, you can afford to take on more risk with your investments, since you have more time to make up any losses, and you'll benefit from the potentially greater returns of high-risk investments. In that case, higher-risk stock investments make a lot of sense. The key is to keep your goal in mind and let that drive your decisions about how to invest.

Being a little nervous about investing is normal, but you shouldn't let it keep you from achieving your financial goals. Please call if you'd like to discuss this in more detail. ❍❍❍

Managing Life's Risks

In addition to accumulating wealth, you also need to ensure your wealth is adequately protected from the risks everyone faces in life: death, property damage, illness, income loss, and property theft. Any one of these may result in considerable financial loss. Follow these four steps to help manage risk:

1. Identify, analyze, and measure possible risks. Prepare an inventory of your property, and list all assets and their value. This inventory will help you decide how much insurance you need and help establish proof of loss when you make a claim.

2. Select the risk management technique. Once you identify potential risks, you must decide how you want to handle these risks: avoid the risk, reduce the risk, reduce the potential loss, retain the risk, or transfer the risk.

3. Implement the risk management techniques. Once you decide how to deal with each risk, it is important to follow through and apply those techniques.

4. Periodically monitor your risk management program. Changes in your personal circumstances will necessitate changes in how you deal with certain risks. ❍❍❍

"Dignify and glorify common labor. It is at the bottom of life that we must begin, not at the top."

~ Booker T. Washington