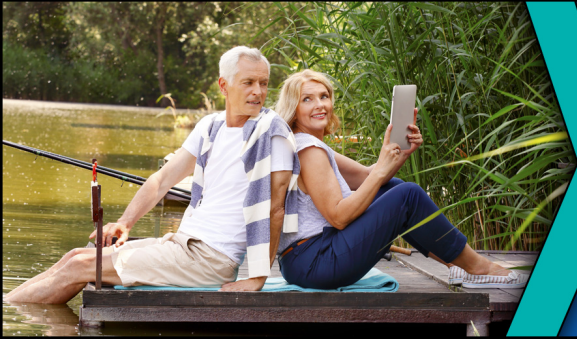




FINANCIAL WISDOM

▪ WEALTH MANAGER ▪

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Don't Bank on Inheritance

Many Baby Boomers have pinned their hopes on an inheritance to solve their financial challenges. Media reports often highlight the anticipated \$1 trillion expected to transfer between generations over the next 10-15 years.

A recent HSBC report from March 2024 reveals that 39% of working and recently retired individuals are counting on some form of inheritance, with a median value of approximately \$77,000.

However, relying on an inheritance can be risky. A \$100,000 inheritance might significantly impact a 75-year-old retiree with modest living expenses. But for a 65-year-old who may need to share it with siblings, it might only amount to \$30,000—hardly a solution to retirement or debt issues.

Unfortunately, some individuals make financial decisions based on expected inheritances. This includes spending on vacations, home renovations, or even purchasing a larger home with a mortgage during retirement. Others might base their retirement income planning on anticipated inheritances to compensate for insufficient savings.

The HSBC study also noted that 81% of today's retirees have never received any financial gift from relatives. So, what happens if that expected inheritance doesn't materialize or is much less than anticipated?

Several factors today can affect a potential inheritance.

People are living longer, increasing the likelihood that assets will be spent on healthcare and living expenses. Rising living costs and medical expenses, combined with government cutbacks on coverage, further strain resources. Additionally, many Baby Boomers and other seniors are accumulating debt to maintain their lifestyles. Investment market volatility caused by the 2008 Financial Crisis and the 2020 COVID epidemic led many risk-averse seniors to invest for safety rather than growth thereby depleting more of their retirement capital.

These factors can significantly diminish expected inheritances. For instance, Equifax reported in the second quarter of 2023 that debt for consumers aged 65 and older increased by 6.5% over the previous year, marking the largest year-over-year increase among all age groups during that period.

This situation brings to mind the saying: "We're spending our kids' inheritance." Ouch!

From a financial strategy perspective, it's crucial to adopt the mindset: "If it's going to be, it's up to me." Make all your investing, saving, and spending plans under the assumption that there is no forthcoming inheritance. If it happens, consider it a bonus!

Don't rely on anyone or the government to bail you out. This approach is the most prudent and conservative financial planning strategy to increase your odds of success.

Questions about investment planning? Contact our office today!

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