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Managing Your Money

STAN'S WORLD—LIVING FOR TODAY

As we move into summer, thoughts naturally turn to vacations. Living on the East Coast, one may think about a trip to the shore (if you're in New Jersey) or the beach (the term for "sand" used by everyone else on the planet).

For the past 22 years, we've been fortunate to vacation in Rehoboth Beach, DE. My family enjoys it because of the beaches and recreation. My grandchildren especially enjoy it because I buy voluminous amounts of pastries, chips, and candy. I enjoy it because I get to bike, eat, read and ponder, though the pondering relates to which pastries, chips, and candy I should purchase next. (I'm aware this sounds gluttonous, but it's actually worse in practice. A therapist would probably analyze me as a weak person until I handed her a Kilwin's dark chocolate turtle. Then we would see who's weak.)

In between our annual visits to Rehoboth Beach, we spend the rest of the year laughing about stories from the beach: house rentals gone awry; food excursions gone awry; unplanned visits to emergency rooms (because of other things that have gone awry). The memories are enduring, brought to life each month in the annual family calendar.

I share this story because I recall a former physician answering almost all of my questions by starting with the phrase: "As we get older..." Suffice it to say, the answers that began with "As we get older" never seemed to end with uplifting commentary. Frankly, I never recall hearing the words: "You're not getting older, you're getting better."

There are times when being frugal isn't worth the savings. Regardless of your age, there are times when spending money is completely justified. Under the banner "You only live once," there are situations that may present themselves that shouldn't be missed, such as the aforementioned family vacation or a long-desired material good. (Of course, let's be reasonable with the term 'material good.' My reference is more about a Nespresso coffee maker than a new Maserati.)





STAN'S WORLD—LIVING FOR TODAY (CONT'D)

Over the years, I've witnessed both excessive spending and unnecessary frugality when working with clients (I admit to difficulty in corralling either). Hearing about people who have missed out on activities that would have provided pure pleasure and lifelong memories – to save money that doesn't have to be saved – saddens me. If you're fortunate to have discretionary capital, spending a little of it for personal or family pleasure will reward you with your own wonderful memories.

As my mother grew older, she often used the expression “We're nearer than further,” which was her answer to those who continually waited to do things. Whether you're nearer or further, if you're not going to use a portion of your discretionary cash to bring you pleasure, then when will you use it?

WHY HIRE AN ACCOUNTANT?

It would be logical to assume that financial planners want clients to spend less than more each year. While logical, that assumption is not absolute. Rather, there are occasions where we encourage clients to spend money as/if necessary, to include paying life insurance premiums to safeguard against loss of income, premiums for long-term care insurance, paying fees to an attorney to draft updated wills and related documents, et al. Last, but far from least, is paying fees to an accountant to prepare tax returns and do tax planning.

Of course, not every tax filer requires the help of an accounting professional. Options for a taxpayer with a simple return (e.g., one or two sources of income along with standard deductions) for example, might range from an online program like TurboTax to a tax preparation service from a national chain (e.g., H&R Block). Anything more complicated, however, deserves the time and expertise of a more experienced accounting professional.

When it makes sense to do so, we'll often ask accountants to do tax planning each fall. Why? There may be steps clients can take to reduce their tax burden for that year, or even defer income to the following year. Tax planning also helps us to manage investment accounts, as there are times we can control which year taxable gains will be generated or taxable losses should be accumulated. There are even years where distributions should be considered for IRA accounts, even prior to the time otherwise required by the IRS.

Taxpayers who have stock options, own their own business, or commit a lot of time (and money) to charitable causes should all utilize accounting professionals who can help them control their tax burden. Calculations on Roth conversions would also fall into the same category.



WHY HIRE AN ACCOUNTANT? (CONT'D)

Further, having tax returns completed by a professional reduces stress, increases the probability that a return will have fewer errors, and may even present the taxpayer with previously unknown opportunities. In recent years, for example, we've had multiple clients who engaged an accountant and were rewarded with refunds from previous years even though tax returns had already been completed and filed. In those instances, accountants actually generated tax savings for our clients, as opposed to costing them money.

A good accountant takes the time to learn his/her client by reviewing prior returns and asking a lot of questions. As financial planners, it's a pleasure to be able to ask a tax professional a tax-related question that may directly impact a client. When we can compare notes and have an accountant run end-of-year tax projections, the beneficiary, of course, is the client.

There is an obvious cost to paying a tax professional. If you currently don't use a tax professional and you're uncertain as to whether or not it might be beneficial in your situation, please call us and ask.

HOW TO HAVE AN A+ RETIREMENT

A successful retirement is about so much more than no longer working at a job. To put you on the right path, the AARP Bulletin¹ recently published a list of nine questions. As they write: "Ace these 9 questions and you'll be doing just fine."

1. "Would you recognize your primary care physician if you saw her on the street? Regular checkups can save and lengthen your life." And Medicare pays for it!
2. "What about your dentist? Could you pick him out of a lineup? Dental care is more important than just for keeping your teeth...Inflammation of the gums, for example, has been linked to heart disease."
3. "When was the last time you tired yourself out? Best answers: Yesterday or today...Seek at least 30 minutes of moderate to vigorous physical activity most days of the week; a brisk walk, salsa dancing, or gardening will do the trick."
4. "Picture your parents or grandparents living in your home. Would you worry about them getting around safely? If you're not up to making aging-in-place renovations...keep accessibility and mobility in mind for your next home."
5. "Would you like your neighborhood if you couldn't drive? Could you still access your needs? Would you be able to buy groceries? Are family or friends nearby? Do you feel a sense of community?"



HOW TO HAVE AN A+ RETIREMENT (CONT'D)

6. “OK, you’re retired. What will you be doing next Monday? If you’re not yet retired, can you name three activities or projects you’re ready to get started on? Studies make clear that the more active and purpose-driven your retirement, the happier and longer it can be.”
7. “Add up (or estimate) your monthly retirement expenses. Then add up your monthly retirement income (Social Security, pensions, regular saving withdrawals and such)...The math is simple. Retirement money management boils down to enough money coming in to cover routine expenses, and a savings stash for emergencies.”
8. “What two assisted living facilities are closest to where you live? A little research now can save a lot of angst later...So find out what’s available in your area, as well as what the costs are, so you will have a starting point if you end up needing help. Also, investigate the home care agencies in your area, and what their rates are.”
9. “How many people could you call if you were sick or scared in the middle of the night? One is sufficient...Getting involved in activities you care about can bring you in contact with new people you have things in common with.”



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S.F. Ehrlich Associates, Inc. has been providing financial advice on a fee-only, independent basis for over 25 years.

Managing Your Money is compiled entirely by Stanley F. Ehrlich and John Zeltmann.

Questions or comments are always welcome (and encouraged!).

Did we mention? If you have a friend or family member who you think might benefit from a discussion with us about financial planning and asset management, please pass along our phone number and email address. Long-term growth is not only crucial to portfolios, it's also critical to a business.

If you have a friend, co-worker, or relative who's in need of financial advice due to a pending or actual job loss, please give them our contact information. We're always glad to speak **pro bono** with people who need a hand.

CLIENTS: Please remember to contact S.F. Ehrlich if: a) there are any changes in your financial situation or investment objectives, b) you wish to impose, add or modify any reasonable restrictions to our investment management services, or c) you've changed your permanent residence.

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¹ Lankford, Kimberly. "How to Have an A+ Retirement - Ace These Nine Questions and You'll Be Doing Just Fine." AARP Bulletin, June 2022, p. 26.

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