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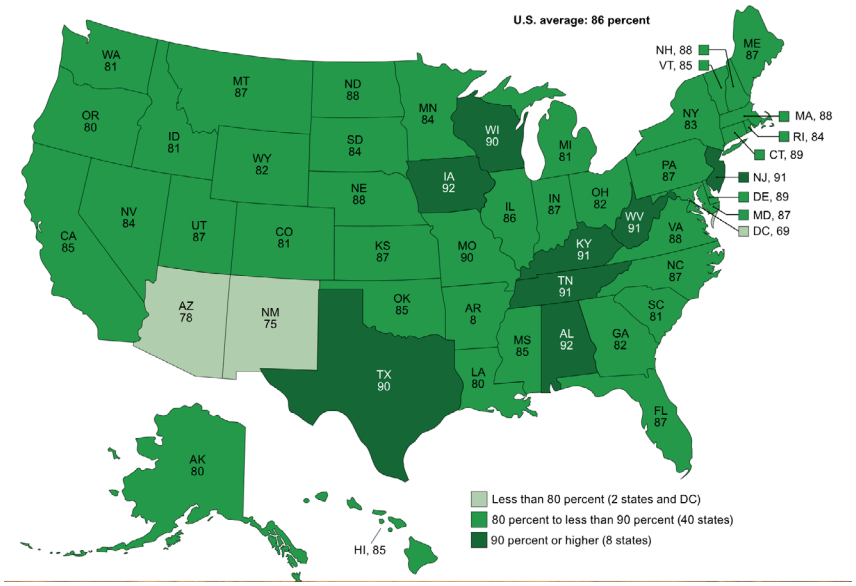
U.S. GRADUATION RATES THEN AND NOW



Americans recently celebrated a new high school graduating class, and the good news is that a higher percentage of people are earning at least a high school diploma than ever before. Consider that in the year 1899-1900, only 6.4% of students made it all the way through high school, and the graduation rate in the 1929-30 school year was still just 29%. In 1963-64, our educational system graduated 76.7% of the students who originally enrolled in high school.

Today? Our most recent statistics come from school year 2018-19, when the graduation rate hit 86% overall. You can see a breakdown by state in the accompanying graphic; it shows that the highest graduation rates are found in Alabama and Iowa (92%), while Kentucky, West Virginia, New Jersey, Tennessee (all 91%), Texas and Wisconsin bested the 90% rate. Arizona (78%) and New Mexico (75%) experienced the lowest graduation rates, though Louisiana, Alaska, Arkansas and Oregon (all 80%) were not far behind.

Interestingly, we are also setting records for the most people who have completed at least four years of college. Today, 38.3% of women 25 years and older are college degreed, compared with 34.6% of men. This compares favorably with the statistics in 1940, when just 5.5% of men and 3.8% of women had graduated with at least a four-year degree. By 1975, 17.6% of men and 10.6% of women were college-degreed, and it wasn't until 2012 that both genders breached the 30% level.

Sources:

https://www.safeandcivilschools.com/research/graduation_rates.php

https://nces.ed.gov/programs/coe/indicator/coi

https://www.statista.com/statistics/184272/educational-attainment-of-college-diploma-or-higher-by-gender/

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BEAR ANXIETY

It now appears that we are on the cusp of experiencing the 29th bear market in U.S. stocks since 1929, and at the same time, due to rising interest rates, we are seeing the first real bear market in bonds since the 1970s—actually, by some measures, the worst bond returns since 1842. That's right; interest rates have been trending downward for nearly 50 years, and now they're rising, which for most of us is a new experience.

The news reports are talking about 'market uncertainty,' which is a nice euphemism for the anxiety that people normally suffer when their portfolios are becoming less valuable. But there really isn't anything 'uncertain' about an 18% decline from the recent market highs. And if you want to look at the broader definition of that term, is there ever any time when we are NOT 'uncertain' about future prices and market trends? The S&P 500 remains more than 16% above its pre-Covid high in early 2020, which could not have been predicted when the pandemic hit. The current downturn could only have been predicted to the extent that all bull markets eventually turn into bears, which have, in the past, always turned back into bull markets again.

If the markets do nudge down that last 2% and enter the technical definition of a bear market, then some will fear that the losses will be permanent—that is, the markets will never recover to their former highs or, worse, the downturn will continue until stocks are valued at $0. Of course, neither of these have ever happened, and if they did, it would mean a total breakdown in the U.S. economy—at which point we would all have much bigger things to worry about than the paper value of our stock holdings. Yes, these things are (remotely) possible, just like it's possible that the Sun will explode tomorrow, but the far more likely scenario is that at some point in the next year or two, the markets will once again be testing new highs.

The anxiety that investors experience (us too, by the way) is about losing the ability to pay for our future lifestyle. To address that anxiety directly, you need to think about how soon you need the money that is invested in the markets to pay for your daily or weekly expenses. If you're earning enough income to cover those expenses, then you can weather a 12-24 month market storm and (if the past is any indication of the future) come out on the other end with more than you had before. If you're retired and receiving Social Security and/or a pension, and have cash set aside to pay the remainder of your expenses for the next year or two, then you really shouldn't give in to anxiety.

It's only the people who need that money they've invested right now who stand to lock in their losses—and they deserve our sympathy for what they're going through with the market turbulence. The rest of us should probably relax, even if it's easier said than done.

Source:

https://www.cnbc.com/2022/05/13/stocks-strategist-says-market-may-become-a-meat-grinder-of-forlorn-hope.html

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TAKING TAX ADVANTAGE

There are always strategies that take advantage of market movements which have nothing to do with market timing. One of the simplest is periodically rebalancing the portfolio to its original mix of assets. In a simplistic version of this, you might have a mix of 60% stocks (including international, small and large cap etc.) and bonds (Treasuries, corporates and various maturities), and suddenly the market goes up or down in a hurry. You have either more than 60% or less than 60% stocks, so you sell or buy back to the original tolerance. If you're disciplined about following this process, you will end up selling when the market has gone up (locking in gains) and buying when the market goes down (taking advantage of bargain prices).

Another, slightly more complicated strategy is Roth conversions. This basically means taking some of a traditional IRA portfolio and moving it to a Roth account. Since you didn't pay taxes on the assets when they were contributed into the IRA portfolio, Uncle Sam requires you to pay ordinary income taxes on the money as it's moved over. But once in the Roth, those assets will never again be touched by the government. Gains and distributions are income tax-free, even when the money is inherited. The Roth owner also doesn't have to take out required minimum distributions—ever. (That, of course, doesn't apply to inherited Roths, but even there the money comes out income tax-free.)

Obviously, the best time to consider a Roth conversion is right after the stock market has experienced losses, because you can roll over more shares of stocks, funds or ETFs at lower valuations, which means lower taxes than you might have had to pay if the conversion had been made at market highs. Then, assuming the markets recover, all the future gains will happen in a more tax-efficient environment.

The Roth conversion can be made a bit more valuable if, at the same time, due to the same market downturn, you can 'harvest' $3,000 worth of losses in a taxable portfolio. You sell assets that are trading below what you paid for them, up to $3,000 (which is the limit that can be used to offset ordinary income), and use the losses to offset some of the tax impact of the conversion.

These investment strategies are not nearly as exciting as predicting where the markets are going to go next—which is what the financial press tends to focus on. But since predicting what the markets will do in the future is a fool's errand in the first place, the boring approach of taking advantage of what the market offers may not be a bad alternative.

Guardian, its subsidiaries, agents and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation.

Source:

https://www.investmentnews.com/ed-slott-turn-lemons-into-roth-conversion-cash-30452#

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INDIVIDUAL DISABILITY INSURANCE

Insurance is a decision to pre-pay a fee for something you hope never happens: You pay a premium hoping you'll never have an automobile accident, your house will never burn down, and you will never be incapacitated and unable to work. Given this framework for insurance, it's understandable that finding the lowest cost for coverage is often the predominant economic consideration.

But there are occasions where the greater emphasis should be *obtaining the **best** insurance for your needs,* rather than paying the lowest premium. This focus on insurance quality is essential when considering disability coverage, particularly for those with "specialized incomes," i.e., business owners, self-employed professionals, or anyone whose income is dependent on sales, billable hours, or some other volume-of-work measurement (number of patients seen, inspections completed, etc.). For this subset of income earners, having an individually-owned disability insurance policy may be the preferred approach to income protection. While other forms of disability insurance may offer some measure of income protection, they may also leave the specialized income earner exposed to significant risks. Consider the following issues:

An employer can drop or change group coverage. Raising premiums has ripple effects – including the decision of some employers to cancel their group disability plan.

Imagine your disability insurance was provided by this group plan. You now face two unpleasant scenarios: higher premiums for the same benefits, or no coverage at all. One of the frequently stated drawbacks of group insurance is the lack of *portability*, i.e., you can't take it with you when you change employers. But group coverage isn't *permanent* either. Both the employer and the insurance company have unilateral authority to discontinue the coverage.

Less-than-comprehensive coverage. It's not just the loss of personal control

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that can make group disability coverage problematic for specialized incomes. Group plans are less likely to offer favorable own-occupation definitions and residual benefits, features that can make a big difference in helping those with unique income arrangements weather the economic turbulence of a disability. While it may be possible to cobble together a disability insurance program that relies on a combination of Social Security Disability Insurance (SSDI) and group coverage, the consequences of buying disability protection "on the cheap" can be significant if a debilitating incident occurs.

A Checklist for Specialized Incomes

If you have a specialized income, the following is a short list of essential features that should be part of any quality individual disability insurance discussion.

- Non-cancellable, guaranteed renewable
- Own-occupation definition
- Cost-of-living adjustments
- Residual and Partial Benefits
- Recovery Benefits
- Proportionate Benefits
- No limitations on Mental & Nervous disorders

The specifics will vary depending on the policy, and the devil is in the details, so be prepared for an in-depth evaluation.

Taking the time to obtain quality disability coverage today offers you the prospect of much greater financial confidence for the rest of your working years.

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