Trust NEWS

CBI Bank & Trust®

A newsletter for customers and friends of CBI Bank & Trust

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What Happens to Your Time Horizon at Retirement?

In investing, "time horizon" refers to the amount of time you have to pursue a financial goal. Along with that goal and your tolerance for risk, your time horizon is one of three key factors that typically help determine the mix of investments in your portfolio.

In your early retirement saving years, your time horizon could be a strong advantage. The younger you are, the more time you may have to withstand market volatility and pursue an aggressive growth investment strategy.

As you enter retirement, however, your time horizon begins to take on new meaning. Your investment strategy is no longer crafted to pursue a specific savings goal, but to balance different objectives. Understanding these objectives can help you shift your perspective from a single, goal-based, fixed time horizon to a multilayered, interrelated series of time periods.

Short-term objective: liquidity

The first objective is generally the need for liquidity; that is, how much cash you may need to keep in easily accessible, lower-risk vehicles.

You can start this assessment by determining the amount of income you'll need to meet life's basic necessities on a monthly or annual basis. After accounting for Social Security, Medicare and other health insurance, any pension income or work-related earnings, and possible income from real estate and other sources, is there a gap? If so, how much and how often will you need to withdraw from your retirement savings to cover that gap?

Next, consider the bigger picture: What are your plans over the next one to three years? Will you have any large expenses, such as buying a new car, repairing a roof, or undergoing a major health procedure? Will you take any vacations or attend big events such as a wedding? Finally, how much do you want to set aside for unexpected emergencies? General guidance suggests having at least three to six months of expenses in an easy-to-access savings vehicle, but the appropriate amount will depend on your unique situation. Considering all of these factors can help you determine how much to invest in short-term, lower-risk vehicles and set up a cash-flow schedule designed to meet your shorter-term needs.

Ongoing objective: managing market risk

The second objective is typically managing the risk associated with ongoing market volatility. Pre-retirees and retirees, in particular, face what's known as "sequence of returns" risk. This refers to the risk that the financial markets could experience a large loss just before or in the early years of retirement, leaving you with a diminished nest egg to support your income needs. Moreover, throughout your retirement, your portfolio will likely continue to experience ups and downs. The objective is to manage investments in a way that strives to provide income while helping to smooth out any bumps over time.

Long-term objective: sustainability

While market risk is one concern, longevity risk, or the chance that your savings won't last as long as you do, is yet another. The need to build a portfolio with lasting potential — at a minimum, to sustain your lifelong income needs, but also to leave a legacy if that is your goal — is perhaps the most important objective in a retirement portfolio. Consider designing an investment mix to pursue enough growth to help keep it sustainable as long as needed.

Retirement Portfolio: A Multilayered Approach

As each layer is depleted, it may be replenished by the next layer up.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. Rates of return will vary over time, particularly for long-term investments. Investments offering the potential for higher rates of return involve higher risk.

A layered approach

One way to think about your retirement portfolio is as a series of layers that could work together to pursue all three objectives. The bottom layer would be comprised of short-term, liquid vehicles designed to provide the cash flow needed for, say, one to three years. The middle layer would contain additional amounts needed within a decade or so and be made up of moderate-risk vehicles that aim to provide a stream of income and help balance inevitable volatility. The top layer, which would include the balance of your portfolio, would be designed to outpace inflation and pursue longer-term growth, striving for that necessary sustainability. Over time, as one layer is depleted, it can be replenished by the next layer up.

Navigating Financial Conversations with Aging Parents

Having a conversation with your parents about their finances can seem like a daunting task. However, it is an essential step in helping to ensure their financial well-being as they get older. Here are some practical tips to help you navigate these discussions.

Start the conversation

Talking about money can be difficult. However, it's important to initiate a financial conversation with your parents before they become too ill or incapacitated. Your parents may be unwilling to talk to you at first because they are reluctant to give up control over their financial affairs, or they are embarrassed to admit that they need your help. It's important to approach the topic sensitively and make it clear that you fully respect their needs and concerns.

If they are still hesitant to talk to you and are capable of managing their affairs for now, you may want to revisit the discussion later. Or you could suggest that they talk to another family member, trusted friend, attorney, or financial professional.

Organize financial and legal documents

Once the lines of communication are open, you can help your parents organize their financial and legal documents. Start by creating a personal data record that lists the following types of information:

Financial: Include all of your parents' bank/investment account information, including account/routing numbers and online usernames and passwords. You should also list any real estate holdings, along with any outstanding mortgages. Do your parents receive income from Social Security, a pension, and/or a retirement plan? You will want to include that information as well.

Legal: Find out if your parents have had any legal documents drawn up, such as wills, trusts, durable powers of attorney and/or health-care directives.

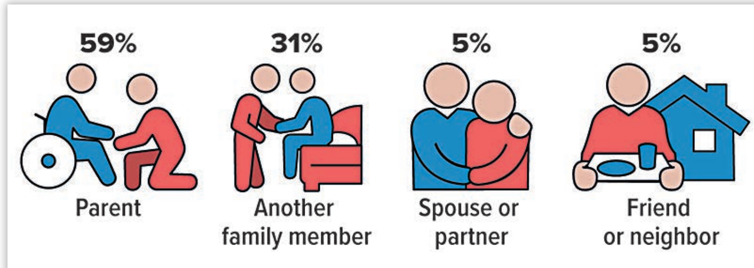
Locate other important documents too, such as birth certificates, property deeds, and certificates of title.

Medical: Determine what type of health insurance your parents have — Medicare, private insurance, or both. You should also have the names and contact information for their health-care providers, their medical history, and any current medications.

Insurance: List what other types of insurance coverage your parents have — life, home/property, auto, or long-term care, for example — along with the names of their insurance companies and policy numbers.

Store the data record and any other pertinent documents either electronically or in a secure, fireproof box or file cabinet.

Who Are Caregivers Caring For?



Source: SeniorLiving.org, 2025

Help with managing finances

You can help your parents manage their finances by examining their budget and finding out their monthly income and expenses. Track your parents' spending to make sure that they are living within their means. You should also discuss ways to address any outstanding debts they may have.

Find out how your parents pay their bills and expenses. If they still use traditional methods, encourage them to set up safer and more convenient ways to bank such as direct deposit and making payments online, instead of mailing paper checks. If your parents are uncomfortable with electronic payments, remind them to mail all bills inside the physical post office and not to use outdoor mailboxes, which may be targets for mail theft.

Do your parents need additional support in managing their finances? There are ways for you to obtain the necessary authorization to assist them. But one way that should usually be avoided is becoming a joint account holder on certain bank accounts because being a joint account holder may have certain legal and tax ramifications that should be avoided. A better option is for them to obtain a durable power of attorney, which is a legal document that grants you authorization to make financial decisions on their behalf, even if they become incapacitated. And the simplest option is to become a signor on their checking account, if they just want help in getting bills paid.

Discuss estate planning issues

If they haven't already done so, make sure your parents have certain legal documents in place — such as wills and/or trusts — to ensure that their estate planning wishes are followed. In addition, they may need to have a durable power of attorney, health-care proxy, and living will in place so they have someone to manage their money and health-care issues if they become ill/impaired. Issues surrounding the care of an aging parent can be complex. Consider consulting a financial professional and/or elder law attorney who specializes in financial and legal issues that affect older adults.

Navigating Medicare Open Enrollment

If you have Medicare coverage, the Medicare Open Enrollment period is a good time to review your options, compare costs, and make sure that your current Medicare coverage meets your needs.

When is Medicare Open Enrollment? Open Enrollment runs from October 15 through December 7 of each year. During this window, anyone with Medicare can make changes to their Medicare coverage that will be effective for the following calendar year.

What can you do during Open Enrollment? During Open Enrollment, you can:

- Switch from Original Medicare (Parts A and B) to a Medicare Advantage Plan (Part C), or vice versa
- Change from one Medicare Advantage Plan to another Medicare Advantage Plan
- Enroll in, drop, or switch from one stand-alone Medicare prescription drug plan to another

If you're happy with Original Medicare or your current plan, should you still review your coverage? Each year, Medicare plans make changes to their costs, coverage, and network of providers.

Prescription drug coverage can also change. Even if you are satisfied with your current coverage, Open Enrollment is your chance to see if you can make changes that could help save you money or enhance your benefits.

You can review your plan's Annual Notice of Change that lists changes to your plan's coverage, costs, or service area to find out if your current doctors and prescriptions are still covered and affordable. Any changes to your plan will take effect on January 1, 2026.

Are there other times you can make changes? In addition to the Open Enrollment period, there are Special Enrollment periods for certain life events, such as moving to a new address or losing another form of coverage.

There is also a Medicare Advantage Open Enrollment period which allows you to switch to another Medicare Advantage Plan (with or without drug coverage) or drop your Medicare Advantage Plan and go back to Original Medicare. If you're already enrolled in a Medicare Advantage Plan, this period runs from January 1 through March 31. If you are new to Medicare and enroll in a Medicare Advantage Plan, this period runs from the first month you're eligible for both Parts A and B, until the last day of the third month you're first eligible.

Three Ways to Help Build Financial Resilience

Roller-coaster markets, global events, and unexpected life changes can catch you off guard. Little wonder that you might worry about the potential effects on your financial well-being. Fortunately, you can take steps to build the resilience you need to help handle challenging times and hopefully emerge even stronger.

Fortify your foundation

Developing a new budget or reviewing an existing one may help reduce stress and feelings of vulnerability by reminding you that you still have control over many aspects of your personal finances. A budget is a foundational tool that outlines your income and expenses and shows how much money you have coming in compared to how much money you have going out. If you find that you are spending more than you realized, you can make adjustments.

An important companion to a budget is an emergency fund. When you have an unexpected expense, you can use your emergency reserves to cover it instead of dipping into long-term savings or racking up costly credit card debt that could throw your budget off track at a time you can least afford it. Consider starting an emergency fund and building it up over time. Having some short-term savings might also help you get through difficult economic times.

Stress-test your portfolio

When you're investing for retirement or another financial goal, assessing the potential impact of various scenarios may help you prepare for and manage the financial impact of unexpected events. This could be done using computer simulations to analyze how your portfolio might perform. Doing this at regular intervals may help take some of the emotion out of decision-making during stressful times, helping you address gaps and opportunities.

There is no assurance that a simulation will be accurate. Because of the many variables involved, you should not rely on simulations without realizing their limitations. All investing involves risk, and there is no assurance that any financial strategy will be successful.

Anticipate future challenges

Of course, you're never going to be prepared for every financial scenario. But developing a written financial strategy and reviewing it periodically may help you thoughtfully navigate life's twists and turns. It documents and organizes the pieces of your financial picture, helping you stay focused on the future as you weather current storms.

Building financial resilience is an ongoing process, and it's never too late to start. Becoming better positioned for downturns can help you feel more confident that you can handle whatever challenges come your way.

The Markets

As of September 22, 2025

The stock market continued its record-setting run last week with the Dow, the S&P 500, and the NASDAQ each reaching new record highs. The small caps of the Russell 2000 also hit a new high for the first time in four years, which signaled a broadening of the rally beyond tech stocks. The major impetus for last week's market performance was the Federal Reserve's decision to trim interest rates for the first time this year. In addition, the Fed projects that more rate cuts are possible before the end of this year, which investors view as a positive for economic growth and corporate earnings. While inflation appears to have moderated somewhat, the Fed's challenge is to support a cooling job market without reigniting inflationary pressures. The interest rate cut also influenced the bond market, with 10-year Treasury yields ticking higher as bond prices declined. Crude oil prices fell on concerns about waning global demand, abundant supplies, and implications from the aforementioned interest rate cut.

Estimates of U.S. retail and food services sales for August rose 0.6% from the previous month and climbed 5.0% from August 2024. Retail sales for July were revised up 0.1 percentage point to 0.6%. Retail trade sales were up 0.6% from July 2025 and 4.8% from last year. Nonstore (online) retailer sales were up 2.0% in August from the previous month and 10.1% from last year. Sales at food services and drinking places increased 0.7% last month and 6.5% from August 2024.

The number of residential building permits issued in August was 3.7% less than the July estimate and 11.1% below the August 2024 rate. Issued building permits for single-family homes fell 2.2% in August from the prior month. Residential housing starts in August were 8.5% below the July estimate and 6.0% less than the August 2024 rate. Single-family housing starts in August were 7.0% under the July figure. Residential housing completions in August were 8.4% above the July estimate but 8.4% below the August 2024 rate. Single-family housing completions in August were 6.7% above the July estimate.

The national average retail price for regular gasoline was $3.168 per gallon on September 15, $0.024 per gallon below the prior week's price and $0.012 per gallon less than a year ago. Also, as of September 15, the East Coast price decreased $0.047 to $3.016 per gallon; the Midwest price declined$0.074 to $2.981 per gallon; the Gulf Coast price increased $0.041 to $2.774 per gallon; the Rocky Mountain price fell $0.060 to $3.180 per gallon; and the West Coast price rose $0.079 to $4.273 per gallon.

Contact a Trust Department Staff Member at CBI Bank & Trust

As estate planning and investment management can be complex and influenced by a number of factors, we like to start with a personal appointment where we get to know you and your needs. Contact any of the CBI Bank & Trust Trust Department staff members to arrange an appointment today.

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