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Monday Business

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FINANCIAL PLANNING

Fitting all the pieces into place

AI managing your money? Not so fast

By Roberta Baker
Union Leader Staff

Artificial intelligence is assisting behind the scenes in the financial planning and investment worlds. What does that look like now?

On Wall Street, AI has been at work in algorithmic trading, when computers use pre-programmed criteria to execute high-speed, high-volume trades. AI is generating prospectuses for the initial public offerings or IPOs of companies that investors jockey to buy shares in. It's chatting online with clients whose financial experience and understanding varies. It's cutting the time and costs of financial planners by speeding up information gathering and analysis.

Jonathan Harrington

In just about every industry, AI is combing through mind-boggling mountains of data to make predictions, spot trends and highlight money-making opportunities, according to MDOTM.ai and the National Association of Investment and Financial Advisors (NAIFA).

Is it poised to take over your retirement account?

Rick Hedderick, a certified financial planner and author of "The Future of Financial Planning with the Use of Artificial Intelligence," published on naifa.org in March, said that AI can boost productivity, but "it cannot replace human instinct, empathy and judgment." Client privacy and security remain big concerns, he said. And it's not foolproof.

"If AI does something incorrect and somebody loses money, I don't think anyone wishes to take on that liability," said Jonathan Harrington, a senior adviser with Milestone Financial Planning in Stratham. "If you have something tracking and trading your account without your oversight, or oversight by the person whose money it is, just think about how bad that could be?"

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Comfortable retirement starts with smart planning

By Roberta Baker
Union Leader Staff

As a financial planner and head of the Charles Schwab branch in Nashua, Mark Levesque fields a slew of questions from people on the brink of retirement.

The one he hears most often is "Do you think I'm going to run out of money?"

Mark Levesque

The solution to avoiding that nightmare, or at least reducing the possibility and banishing the feeling of sand spilling out of the hourglass — is financial planning.

Half of the problem concerns finance and the other half is psychology, Levesque said.

"You have to get the client to understand" the value of planning. "They need to define their vision. A lot of them haven't thought about it," said Levesque. "The biggest lever you have is your spending. You have to make sure you plan for when you no longer have a paycheck."

A safer landing in retirement can be accomplished through through Social Security plus strategic, diversified investing and keeping an eye on what you have and how you live. Pensions are ideal because you have that guaranteed income for life — but they're far from the norm for most people.

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Financial planning with an adviser can help people down the path to a more comfortable retirement.

The 401(k)s offered by private employers put much more onus on employees, regardless of whether they're financially literate or comfortable making their investment decisions. People who didn't start early have to play catch up, and/or

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Mind the gap: Pensions are fading and 401(k)s are not enough

By Roberta Baker
Union Leader Staff

Whatever happened to pensions and the financial security they provided?

Now, unless you're a teacher, government employee or on staff at a large company, you probably don't have a pension.

Instead you have a 401(k), a retirement account that grows incrementally with contributions from you and your employer, or a self-funded individual retirement account or IRA, plus a savings account, checking account, maybe a separate brokerage account and perhaps an annuity that will spin off a certain amount each year.

Will you outlive your money?

There's a complex and intimidating financial universe to navigate.

Your financial security during retirement is the result of the decisions you made and make now, your long-term saving and spending habits, expenses you didn't foresee and can't escape, and assets such as your home or other real estate, plus cash in the bank and the money you put in stocks and bonds or under the bed.

Kyle Labelle

It's enough to keep you awake at night.

After 401(k)s replaced pensions in the 1970s and 1980s, "A big thing to take away is the burden shifts from the employer to the employee being willing to save and invest over time," said Kyle Labelle, a financial planner at Milestone Financial Planning in Bedford.

Thomas Stephen

"It's the result of companies shifting investment risk and the risk of you outliving your assets to you," said Thomas Stephen, a financial planner at Glenwood Investment Group in Manchester. "Companies were saying, 'We're no longer responsible for your retirement income. We'll help you, but you need to be more responsible.'"

Beyond monthly Social Security checks in our later years, having enough money to last a lifetime means cobbling income together from a variety of sources, including from part-time work.

It requires vigilance, planning and learning about your options. It starts when you're young

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The earlier you start planning for retirement, the less drastic the steps will be to make sure you can retire comfortably. "You'd be surprised how many people are effectively retiring on Social Security," said Mark Levesque, financial planner and head of the Charles Schwab branch in Nashua. "In general, it's not enough to have a decent quality of life."

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extend their working years.

The less time you have until you retire, "the more you'll have to put in (a 401(k) or other retirement account) to get to the the same place," said Levesque.

"Make sure your investments are well diversified and selected based on the level of risk you're willing to tolerate." That's done, Levesque said, through asset allocation across a spectrum that can includes Treasury bills, bonds and stocks in various industries, with varying levels of risk.

If you're retirement is under-funded, it helps to work into your retirement years, and/or adopt a lower standard of living when you stop working.

Risk tolerance, Levesque said, varies with age, income and mindset. Someone's propensity for risk is a combination of their pyschological ability to handle market swings and their financial ability to weather volatility.

What becomes critical are ongoing, periodic conversations with a financial planner, including to dispel misconceptions about what's safe and wise at a given window in time.

"I cannot tell you how many people come into the branch in their 50s and early 60s who are risk-avoidant," said Levesque. "I tell them, 'You're likely to live for 25 more years. If you don't take enough risks, the portfolio is not going to be there. You're not going to be all in CDs. You need to take a long-term perspective and still have some risks in that portfolio or things like inflation will kill you."

Preparation for retirement varies greatly, including among baby boomers, most of who don't have enough tucked away, according to national studies on retirement.

"You'd be surprised how many people are effectively retiring on Social Security," said Levesque. "In general, it's not enough to have a decent quality of life. If they have no other investment besides their home, maybe a reverse mortgage makes sense, but that's kind of the last resort."

"Having a plan is the best place to start or you run the risk of running out of money," he said. The more lead time you have before you retire, "the less drastic your remedial steps" must be "to get you to where you want to be."

Financial planning provides security "because we've done the math. We're checking your financial goals against your resources," he said.

A well-crafted budget doesn't have to take the joy out of life. It can include travel expenses, which drop for most people around age 80, or when mobility issues arise.

Sometimes Levesque tells clients they can afford to spend more.

"I have clients who say, 'I might want to buy a car in a few years.' And I say, 'Buy the car now, you'll have more years to enjoy it.' At other times, I say, 'I wouldn't do that this year. You'll have to sell too many things to generate cash.' Things generally work out better when they listen," said Levesque.

According to MoneyUSNews.com, Bankrate, Nerd Wallet, good ways to find a financial planner include asking family and friends, your accountant, attorney or insurance agent for referrals to financial advisers they have worked with and trust.

Also helpful are online websites such as NAPFA, the National Association of Personal Financial Advisors, the Financial Planning Association, and the Certified Financial Planner Board's Let's Make a Plan.

Interviewing candidates is a must. Check their credentials and fee structures. As fee-only advisers, are they fiduciaries who must act in your best interest?

In Fidelity's online advice on how to find a financial planner, James Lee, a certified financial planner and past president of the Financial Planning Association, said, "Every person is in a different place financially. Part of a good relationship is understanding an individual's life goals and priorities and making sure advice is consistent with the values they have."

People with finances that are modest or not too complex might find inexpensive but valuable help from a robo advisor, which offers digital portfolio management, according to Fidelity.

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"You may see that on retail investment apps," he said, "but I don't think you'll see that for professional investment management, and I don't think it will be allowed for 401(k)" retirement accounts. "Too much risk."

With AI, "Anything is possible," said Harrington. "That's why it's so scary. Having people involved in investment management is necessary today and will be in the future."

Thomas Stephen, a financial planner who owns Glenwood Investment Group in Manchester, said his company is not currently using AI to manage investments, but it's at play in simple, more basic tasks.

For newcomers to finance and planning for retirement, AI can explain types of accounts, investment categories and products and what they mean, and use software to give low cost, generic advice. It also can help you "create a habitual process to grow your bank account or investment account. When you need something more value-driven, that's where a financial planner comes in," Stephen said.

"My job is to make people better financial decision-makers. At the end of the day, the financial decisions I make with clients will always have a factor of emotions involved. I have to consider the best financial outcome and the best personal outcome and mix those together," he said.

> "My job is to make people better financial decision-makers. At the end of the day, the financial decisions I make with clients will always have a factor of emotions involved."
>
> **THOMAS STEPHEN**
> Owner, Glenwood Investment Group

It's a fluid process that requires vigilance and updating as people go through life stages, make big transactions, take out loans, have kids and weather unforseen events, all of which have financial implications and emotional impacts.

"As a financial planner, it's my job to consider both," Stephen said. "That's a dramatic limitation when exclusively using AI."

"A human investment advisor, a person, knows the questions to ask that will help you benefit for what you want to accomplish," said Harrington at Milestone. "I don't think a computer is going to be able to know how to do that," with real time questions tailored to you, your history and your current responses.

"I also don't think people will be confident with the answers they get from AI. As the consequences get greater, with larger amounts of money at risk, you need that level of trust."

But AI can provide value as a tutor for Financial planning and Investing 101. For instance, said

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and entering the workforce and continues through your non-working years.

Social Security is the ground floor

Retirement stability begins with Social Security and knowing what you'll receive when you start collecting between ages 62 and 70.

The Social Security Administration can calibrate your benefits at different dates and ages. It's important to "run that statement to see what you'll get," Stephen said.

The closer to age 70, the bigger your monthly take. But Social Security's rules and implications aren't always clear.

For instance, if you continue to work while collecting, that can add to the amount you receive because your benefits are based on your highest 35 years of income.

So, if you had "zero" or low-earning spells, you might be able to increase your Social Security allotment by working longer, and replacing zero years with earning years.

"Delaying Social Security to 70 can be a wise decision," said Labelle.

"As late as you can, for those that can. You'll have more income coming in from Social Security alone."

Understanding 401(k)s and IRAs

In a 401(k), your employer selects a financial management company to manage contributions made by you and your employer. You select from a pre-approved menu of investment options.

IRAs can be used to supplement 401(k)s or they can substitute for them, and they're essential if you're self-employed or working as a consultant or independent contractor. In an IRA, the mix and choice of investments are yours, with guidance as you desire from a financial planner.

It's important to consider the tax implications. When contributions are made before taxes, taxes are paid when you take the money out. Roth IRAs and Roth 401(k)s can be attractive because the money put in them comes from after-tax income, which makes them "tax free on growth and withdrawals for life," Stephen said.

For those new to retirement planning and investing, Morningstar and Vanguard provide valuable retirement information online in easily digestible articles, said Labelle. Schwab MoneyWise can help with financial literacy.

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401(k) plans differ between employers. The contribution percentage typically ratchets up over time, until a match of 10% is reached.

It's important to have a long talk with the mirror and your loved ones about how much risk you're comfortable taking.

If you're completely risk averse, or want something that spins off a guaranteed amount in your later years, you might want to consider an annuity, said Stephen. But management fees can be high and the fine print can be confounding. It's buyer beware.

"Annuities are ultimately a contract with that annuity company," Stephen said. "If you're signing on the dotted line, make sure you have a good understanding of it."

Don't be afraid to ask basic or probing questions, especially if you're new to the contract language.

Start saving early — and keep going

Unforeseen events and expenses can get in the way, but whenever possible, financial planners say to start saving early in your working life and don't quit when you're close to retiring — or necessarily even during retirement.

"Money is a tool to get what you want out of life," said Labelle. "For those looking to stop work and enjoy life in retirement, maybe they want to look at some of those big vacations and instead save for the long term."

"The longer that someone is working, the less they need to save," said Labelle. Someone who stops working at 70 may have to cover 10 to 15 years of living expenses, maybe more, he said. "The longer your retirement, the more you need."

In general, and because of the shift from the pensions to 401(k)s, it's extremely important to start contributing to a retirement account when you're young.

"Time is an asset, just like anything else," said Stephen.

"The earlier you start, the less work you'll have to do, and the more the market will do for you," said Mark Levesque, a certified financial planner and independent branch leader at Charles Schwab in Nashua.

401(k) plans differ between employers. The contribution percentage typically ratchets up over time, until a match of 10% is reached. But that may not be enough to fully fund your retirement, even with Social Security.

Labelle, like most financial advisers, believes in holding an investment mix of stocks and bonds, including some with higher risk, which have greater returns and more potential to beat inflation.

Going into retirement, it's important to scrutinize

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Stephen, it can explain 401(k)s to new college graduates. "What does this mean? How do I approach this? Why should I do it? What's the benefit and how do I think about investment decisions in this account?'"

AI can "give people an understanding of their financial life. A financial planner gives an understanding of the pieces as a whole," Stephen said.

AI can increase your vocabulary and ability to understand what a financial adviser is talking about, but, he said, it doesn't build a complete understanding of the variables and risks involved in picking where to park your money.

He believes AI will become a universal tool to support decision making, without making the actual decisions for you.

"AI can pull from a database to make some recommendations. Regardless of what investments are chosen through a system like that, if you don't understand the risk involved, you may not have a positive outcome," said Stephen.

"Risk is a big factor for people who are new to investments. It's much more easily understood with a personal financial planner. There are so many different routes to go, so many different options. Filtering through all those is the job I have. As long as you trust (the person who is your professionally certified financial planner), "that will help you get a better outcome."

During rising inflation, AI "will help us keep the fees we charge reasonable."

And it can cut costs for consumers who feel competent to make their own investment decisions without advice from a financial planner, he said.

Stephen believes that over time, having a personal touch in retirement planning and investment management will become more important.

"I constantly have conversations with clients about the risk of their portfolio," he said. It requires tuning into whether they seem hesitant or confused.

"A person who can adjust their conversation and read body language can get to their financial goals much more easily."

ECONOMY

Recession warning signs to watch: Goodbye lipstick, hello Hamburger Helper

By Rachel Lerman and Elena Lacey
The Washington Post

No, Coachella's lineup dropping months earlier than its usual release isn't actually an indicator of an impending recession. But in the absence of official government data, social media users are casting about for hints — even music festival-related ones — about the true state of the American economy.

The United States is not in or even near a recession, despite what your grocery bill feels like. But the economy is in an uncertain place, with a number of signs of weakness that economists are monitoring.

For years, one of the best-known recession indicators has been the "lipstick index," which posits that Americans stock up on cheaper feel-good makeup when times are tough.

That one might be outdated — or at least different now — partly because of the popularity of skin care spending and changing consumer habits.

Here are some economic warning signs experts say to watch for.

Cardboard box production

Cardboard boxes power the consumer economy. They not only bring joy in the form of online shopping purchases, they are literally how retailers move goods.

When cardboard box production slows, it could be a sign that people are expected to buy less in coming months. And cardboard box production is down.

"It's giving a signal that retailers are expecting fewer products to sell, so the distributors are not ordering as many boxes," said Jadrian Wooten, an associate professor at Virginia Tech's economics department.

Box-makers have shuttered several mills this year, reducing capacity for the material.

Analysts point to a variety of factors: International demand for U.S. containerboard has weakened, people are moving homes less, the boom in box shipments during the pandemic has dropped off and consumers are watching their spending.

"The cost of many essential items continues to go up, which is crimping many Americans' disposable income," said Adam Josephson, a longtime packaging analyst who now publishes a newsletter about consumer spending.

Consumer spending is still strong this year, rising in August for the third straight month. But much of that spending is concentrated among the richest Americans, while low- and middle-income families are increasingly cutting back.

Hamburger Helper is back

Hamburger Helper sales have bumped up significantly this year, according to parent company Eagle Foods, as people seek out deals on groceries.

For decades, people have turned to the packaged pasta-and-seasoning meals when times are tight — or, as social media users have been embracing this year, "struggle meals."

Since prices soared in 2022, after the early years of the pandemic, American shoppers have increasingly been looking for ways to cut down on their weekly grocery bills.

Grocery prices have risen nearly 30% since early 2020. That's given boosts to discount grocery companies like Grocery Outlet, Aldi and Walmart.

It could also be the reason that frozen pizza sales are rising, as people eat at home to save a few bucks.

Even higher-income shoppers are going to discount stores more and more, said Neil Saunders, global director at retail analytics firm GlobalData.

In the past four years, the share of shoppers at all income levels who frequent the stores has increased.

People are concerned about the economy as a whole and are trying to save for potential downturns,

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your expenses.

Your plan "ultimately comes down to cash flow, what's coming in and going out. If you're making the decision to stop working, it's important to know how much money you need and how much you can safely withdraw" from your retirement accounts and still have enough left to generate future income, Stephen said.

"In times like these, it makes sense to look at how long your horizon is. If you're 65, look at 20 years. If you're 75, it's time to move into safer investments. The big risk is how long you're going to live," said Labelle. You need a balance between stocks and bonds in order to balance risk.

Take a look at the long haul

People planning for retirement often forget that expenses such as college tuition and mortgage payments will disappear or shrink substantially. And that frees up cash for investing.

Later-stage investing depends on the level of risk you're willing and able to tolerate, which differs between individuals, their ages, personalities and financial wherewithal.

For someone with a 25-year investment horizon, a portfolio of only low-risk investments can hold back necessary growth, financial planners warn.

Spending is your biggest lever. What's essential and what is not?

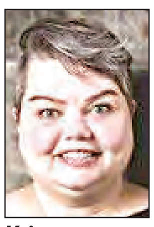
When folks head into retirement, and "the less flexible their spending is, the more we might reduce their stock risk," Labelle said. "While we take a little off, it's important to remember they're also planning for decades ahead.

"You want to keep that in mind when you're watching what you're doing, rather than watching the daily ups and downs of the market," he said.

Newsmakers

Guilmette appointed to board of Seacoast Mental Health Center

Seacoast Mental Health Center, Inc. has announced the appointment of **Kristen Guilmette** to the center's board of directors.


Kristen Guilmette

Presently, Guilmette is a senior trial attorney at Naro Law PLLC in Nashua, where she specializes in family law. She spent nearly two decades as a New Hampshire public defender.

Guilmette holds a juris doctor from UNH Franklin Pierce School of Law and a bachelor of arts in psychology from the University of New Hampshire.

She is a member of the New Hampshire Women's Bar Association, Nashua Bar Association and trustee for Brown's Academy Scholarship Committee.

Kalampalikis promoted to VP at Bar Harbor Bank & Trust

Nikos Kalampalikis has been promoted to vice president, business development officer at Bar Harbor Bank & Trust.

In this role, he will be responsible for growing the bank's market share in the Manchester, Bedford, Concord and Nashua markets.


Nikos Kalampalikis

Kalampalikis most recently served as AVP, branch relationship manager for the bank's location in Manchester.

He joined the bank in 2018 as a floating customer service representative serving the Southern New Hampshire region and later served as a personal banker in the Concord and Bedford branches.

In 2021, he was promoted to assistant branch manager for the bank's location in Hillsborough. He holds a bachelor's degree in hospitality management from the University of New Hampshire.

He is also a notary public for the State of New Hampshire.

Economides Joins Ledyard Bank

Heather Economides has joined Ledyard Bank as vice president, senior residential banking adviser. She has more than 20 years of experience in the residential mortgage industry and has helped countless individuals achieve their homeownership goals.


Heather Economides

She takes pride in making the process smooth and approachable, offering clear guidance and personalized solutions tailored to each client's unique needs.

She will focus on ensuring high-quality service and performance across the mortgage origination process.

Recession

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Saunders said.

"People hear there's a tougher economy, and they think, 'We should be being savvy, we should be being careful and cautious about our spending,'" he said.

Sales of big trucks are slumping

Sales of huge trucks have been falling this year. We're not talking about America's darling, the Ford F-150s, but huge semi- and similar trucks — the type that are meant to move goods and supplies around the country.

If there isn't as much demand for those big trucks, that signals industrial activity could be slowing. A steep drop-off in sales has often preceded recessions.

Some of the sagging sales in heavy trucks could be because the industry added too much capacity in the years since 2020 as consumer spending on goods boomed in the early pandemic months, said Ken Vieth, president and senior analyst at ACT Research.

Heavyweight trucks are also facing a new hurdle after President Donald Trump announced last month that a 25% tariff would be applied to heavy trucks imported into the country.

"If there's a silver lining to this, it's that the trucking industry has been swimming in overcapacity for three years now," Vieth said. "The first step to solving a problem when you're in the bottom of a hole is to stop digging."

Thrifting is in

Browsing and buying at thrift stores has gotten steadily more popular in the past few years, partly to save some money and partly to score luxury goods at low prices.

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Thrift shopping has boomed this year, fueled by shoppers seeking budget deals. "Consumers are just becoming more savvy about what they spend and where they spend, and there's a much greater emphasis on spending carefully," said Neil Saunders, global director at retail analytics firm GlobalData.

That shopping has boomed this year, fueled by shoppers seeking budget deals.

ThredUp, a popular app where people can sell their used clothing, posted a 16 percent boost in sales during its second quarter of the year.

Similar apps have seen a bump as tariffs start to take hold, making it more expensive to buy some new clothes and accessories.

Sites like ThredUp and Poshmark can also be a way for shoppers to bring in a bit more cash by selling their used clothing.

The trend points to the anxiety hanging over consumers as the economic outlook remains unclear.

Consumer sentiment, a closely watched economic indicator measured by the University of Michigan, has fallen more than 18 percent this year.

"Consumers are just becoming more savvy about what they spend and where they spend, and there's a much greater emphasis on spending carefully," Saunders said.

No more job hopping

Americans are feeling stuck in their jobs, as the number of job openings in the country stays stubbornly low.

Hiring has slowed to a crawl this year, with employers adding 88,000 jobs during the summer.

The rate of people quitting their jobs is at the lowest level it's been since the pandemic-fueled recession of 2020.

That suggests that people are unable to find new positions or reluctant to risk a move in an uncertain labor market.

"Job-switching is so fundamentally important to an economy's health," Allison Shrivastava, an economist at Indeed Hiring Lab, told The Washington Post last month.

"You really do need churn: That's the best way for workers to get better wages and to move labor where it needs to go. Right now we're in a stagnant place where people can't progress in their careers."

Still, the labor market isn't all dreary news: The unemployment rate nationally remains at a relatively low 4.3%, and unemployment insurance claims have fallen since the beginning of the year.

Home equity loans up; residential permits down

Home renovations are popular this year, with home equity loan originations jumping 12% during the first quarter. As home values have risen, people are borrowing against their most valuable asset.

One of the main reasons to take out a home-equity loan is to remodel your home, an option people are turning to this year because it is expensive and difficult to buy a new home, with mortgage rates still elevated and new homes stagnant on the market. People also take them out to lower their overall debt interest rates.

"Home improvements and debt consolidations are the top reasons," said Linda Bell, home equity analyst for Bankrate. But she cautions that the loans, though they may be accessible, are types of second mortgages, and it can be tough to assume extra costs.

New home purchase

Buying a new home may not get dramatically easier anytime soon — new residential building permits were down 11% in August compared with last year, a traditional warning sign for a possible recession.

"That's one indicator signaling we've got a problem," said Mark Zandi, chief economist at Moody's Analytics, referencing building permits. "But in this case, I think it suggests a tough economy but not recession."