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# RADIO 6

## Topics

Are the markets distorted…mohamad el erhian

The average American income was essentially flat last year

Are americans getting… well, dumber when it comes to financial literacy… scores from a new review

Is Right now the time to sell off…expert weighs in

Mortgage rates, interest rates, what does that mean to (your market)

Housing affordability hits worst level in 37 years

What to do if you all this news is keeping you up at night.

**STICK AROUND FOR THE ENTIRE PROGRAM TALK ABOUT WHAT TO DO ABOUT A CORRELATED STOCK MARKET IN RETIREMENT.**

https://www.thinkadvisor.com/2022/05/24/heres-how-much-money-americans-think-theyll-need-to-retire/

https://finance.yahoo.com/amphtml/news/distorted-markets-mohamed-el-erian-134000279.html

https://www.usatoday.com/story/money/2022/09/13/median-income-poverty census-2021/10359767002/

https://www.yahoo.com/money/financial-literacy-scores-are-falling-140450474.html

https://www.nbcnews.com/business/economy/mortgage-rates-just-hit-highest-level-since-2008-rcna46854

## *'Get out of these distorted markets': Mohamed El-Erian just issued a dire warning to stock and bond investors —*

Due to rampant inflation, holding cash may not be a wise move. (Higher and higher price levels erode the purchasing power of cash savings.)

That's one of the reasons many investors have been holding stocks and bonds instead. But according to Mohamed El-Erian — president of Queens' College, Cambridge University, and chief economic advisor at Allianz SE — it might be time to switch gears.

"We need to get out of these distorted markets that have created a lot of damage," the famed economist tells CNBC.

Both the stock market and the bond market have been tumbling lately, and El-Erian notes that when these market corrections happen simultaneously, investors should move to "risk-off" assets.

"What we have again learned since the middle of August, is that (stocks and bonds) can both go down at the same time," he says. "In a world like that, you have to look at short-dated fixed income, and you have to look at cash as an alternative."

You can hide your cash under a mattress or put them in a savings account. Or, you can use ETFs to tap into the so-called "short-dated fixed income."

https://www.usatoday.com/story/money/2022/09/13/median-income-poverty census-2021/10359767002/

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The average American income was essentially flat last year at $70,784,  the U.S. Census Bureau said Tuesday.

The inflation-adjusted median U.S. household income fell 0.6% from the 2020 estimate of $71,186 but the change was deemed “not statistically different” by the Census

## *The 2021 income report follows a 2.9% drop in 2020, the first significant decline since 2011 Bureau.*

Income estimates are expressed in 2021 dollars to reflect changes in the cost of living due to inflation. Between 2020 and 2021, inflation rose 4.7%, the largest annual increase in the cost-of-living adjustment since 1990.

Nine months into 2022, inflation is still a major concern for many Americans. Overall prices in August increased 8.3% from a year earlier, the Labor Department’s Consumer Price Index reported Tuesday, a slight drop from 8.5% in July.

## *Are Americans getting financially dumber?*

Financial literacy in this country has steadily declined over the last 12 years, according to a recent study, but the root cause remains elusive.

In 2021, the average respondent correctly answered 2.6 out of 5 financial literacy questions, according to the findings from the FINRA Foundation National Financial Capability Study that surveyed nearly 30,000 U.S. adults, down from 3.0 out of 5 questions in 2009. High financial literacy was considered answering more than 3 correctly.

Why financial literacy is declining, its correlation with smart money behaviors, and how to improve all is vexing experts who hope any connection can ultimately help more folks reach financial security.

The 14% drop in financial literacy from 2009 to 2021 is certainly notable, but much more surprising is the 21% increase in the number of ‘don’t know’ responses to the financial literacy quiz questions over the same time,” FINRA Research Director Gary Mottola told Yahoo Money. “We do not yet fully understand why so many more people are reporting ‘don’t know’ in recent years. One hypothesis is that the growing complexity of our financial world could indicate that people are increasingly aware of their own knowledge limitations.”

To evaluate respondents’ financial literacy, the 2021 NFCS used seven quiz questions covering fundamental economics and personal finance.

The questions ran the gamut of asking about compounding interest. For example, “Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow? The possible answers included: d, exactly $102, less than $102, and don’t know.

Another was: “Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account? Answers ranged from more than today, exactly the same, less than today, and don’t know.

Another question: do you think the following statement is true or false? Buying a single company stock usually provides a safer return than a stock mutual fund.”

Better question…Should you or should you not listen to suzie orman or jim cramer or ken fisher or Robert kiyosaki

# The average 30-year mortgage rate climbed to 6.01%, the highest level since 2008, according to new data published Thursday by Freddie Mac.

"Rates are reacting to Federal Reserve Chair Jay Powell's comments following last week's jobs report in which he reiterated his unwavering focus on bringing inflation down to its 2% target level," Lisa Sturtevant, the chief economist at Bright MLS, a real estate data firm, said in an email.

The higher mortgage rates are already weighing on home prices. For the first time in nearly 18 months, the average U.S. home sold below its asking price, according to housing group Redfin. The median home sale price was $370,000, up by 6% year over year but 6% below the record high of $393,725 during the four weeks that ended June 19

## Mortgage rates

Mortgage rates tend to track U.S. government bond yields. This week, the yield on the 10-year Treasury note jumped as high as 3.35%, itself the highest level in more than a decade.

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## Housing affordability worst in 37 years.

Housing affordability hasn't been this bad since Ronald Reagan was president.

It now takes 35.51% of the median household income to make a principal and interest payment on the median home with 20% down, according to figures mortgage technology and data provider Black Knight shared with Yahoo Money.

That's the highest payment-to-income ratio since October 1985 when it took 36.01% of household income to make that payment. Just in January, that ratio was 24.61%, below the long-term average of 25.1%.

The figures come after the rate on the 30-year fixed mortgage hit 5.89% last week — its highest point in over a decade and over 2.5 percentage points higher than the start of this year— and underscore the troubling outlook for Americans chasing homeownership.

*****renting even worse**

## Railroads, labor, unrest.

A potential railroad strike in the U.S. shouldn't be viewed as a black swan event, according to Goldman Sachs chief economist Jan Hatzius, but it could still have an impact on the economy.

"I don't think it's a black swan," Hatzius told Yahoo Finance Live at the Goldman Sachs Communacopia + Technology Conference on Monday (video above). "I think it's an indication, along with other indications of more labor strife and maybe more tensions, that labor still has a very significant amount of market power relative to the last several decades. The labor market is extremely tight. Employers have to concede bigger wage increases and better working conditions, and strikes are sometimes the consequence of that."

More than 90,000 workers. Want higher wages, better treatment with scheduling and time off.

If a railroad strike occurs, 30% of the country's freight could come to a screeching halt, the Federal Railroad Administration estimated. That could amount to an economic hit to the tune of $2 billion a day.

Supply chain pressures have begun to ease from the worst of the pandemic, though that could change if there is a stoppage. Any strike could cause inflation — particularly in food prices — to push higher again at a time when households are already struggling to make ends meet.

## *SOLUTIONS: If you're feeling a little anxious about your pending retirement stick around, we've got some tips to help bring that anxiety down. Call it financial Xanax.*

**Take two and call your advisor in the morning -** People planning to retire in the near future, those already retired and some transitioning to the post-work life have greater concerns about their investments than ever before. But you shouldn't let outside forces you can't control overwhelm your ability to prioritize, adjust and invest wisely.

**Don't give in to knee-jerk reactions** - Turn off the mainstream media financial newsprograms and random Google searches. They are meant to stoke fear because fear gets viewers and readers. If you listen long enough or read lots of negative financial news, there's a greater chance that you'll end up making an ill-advised, poorly timed decision about your investments. Instead, let the curiosity that media sparks lead you to search out personalized advice.

**Differentiate your money between short-term and long-term** - People tend to treat all of their money the same. The financial industry sets it up that way in how it trains advisers. For example, some advisers will tell people that if they have $1 million, they can withdraw a certain percentage of that money every year and be fine. But that approach leads retirees to think that it's all one pot of money that works just the same, regardless of what the markets are doing.

**Shore up your income streams** - The transition from work to retirement is understandably uncomfortable. Before retirement, you got a steady paycheck from work, but in retirement, youwant your money to do the paycheck.

**Investing in quality companies** can build investor confidence in retirement because the investorknows what they own. Time has shown that the valid and sustainable investment approachcan be to focus on businesses with a sustainable competitive advantage, solid management, fair value for the price and a long-proven track record of navigating economic cycles.

**Focus on being tax-efficient** - Which asset "bucket" you draw money from and the potential tax implications of when you take it to meet retirement income needs should be factored in to your overall retirement plan. Being tax-efficient could make a big difference in your usable dollars. In fact, how much money you're able to use after taxes could matter more in retiremen than how much money you have or how much it grows.

**Let integrated planning help you make sound decisions** - A solid investment strategy is about more than what is in your portfolio and its percentage return; it must be integrated intoyour overall income, investing and tax retirement plan. This is where the additional value of an adviser can be realized. Most advisers don't do integrated planning

# Annuities: We all need income in retirement, but most of us would rather put our money insomething we actually understand.

There's a lot of confusion around annuities, so hereare some of the most commonly asked questions about how they work.

**How does an annuity differ from a traditional savings or brokerage account?**

When you put money into a savings or brokerage account, you're free to withdraw that money as you see fit. However, the income you earn from that money, whether it's interest from your bank, or gains from your investments, is subject to taxes immediately.

**An annuity, on the other hand, is a contract between you and an insurance company that requires it to make payments to you,** either right away or in the future. Once you fund your annuity, you can't just withdraw your money at any time without consequences. However, that money gets to grow on a tax-deferred basis.

**What benefits do annuities offer?**

Annuities offer tax-deferred growth, so even if the value of your annuity increases year after year, you won't pay taxes on that growth until you actually start taking withdrawals.

**Furthermore, annuities can help protect you from the one thing most retirees fear: outliving their money.**

**What are some of the drawbacks of annuities?**

Aside from their complicated nature, the greatest drawback associated with a**nnuities is the fees that come with them.** Annuities are often sold by brokers, and therefore often come with commission fees that can be as high as 10%. Some annuities also come with hefty annual fees. Furthermore, if you attempt to take money out of your annuity too soon, you could be hit with a surrender charge.

**What types of annuities are there?**

**There are two basic types of annuities: deferred and immediate. With a deferred annuity,** you don't get payouts right away. Rather, your annuity has an accumulation period during which premiums are paid into the contract before payouts are disbursed.