Fall 2023

Northwestern Mutual

The Legacy Insider

Greetings from Phoebe & Josh

Dear Legacy Friends & Family,

As the vibrant colors of autumn surround us, we wanted to take a moment to extend our warmest greetings and best wishes for a wonderful fall season. In this edition of our newsletter, we've curated a selection of articles to keep you informed and empowered on your financial journey. We delve into the world of smart investing, along with the importance of long term care planning.

With the new year approaching quickly, we encourage you to book a review with the team to ensure you're well-prepared for tax season and that your financial plan is optimized to its fullest potential. As always, our team aims to equip you with the knowledge and tools necessary to help secure your financial well-being, not just for today, but for generations to come.

Cheers,
Phoebe & Josh

Staying calm in the face of market volatility can help you get the most out of your investment plan.Photo credit: Simon Potter/Getty Images

Why Managing Your Emotions Is Key to Smart Investing

Key takeways

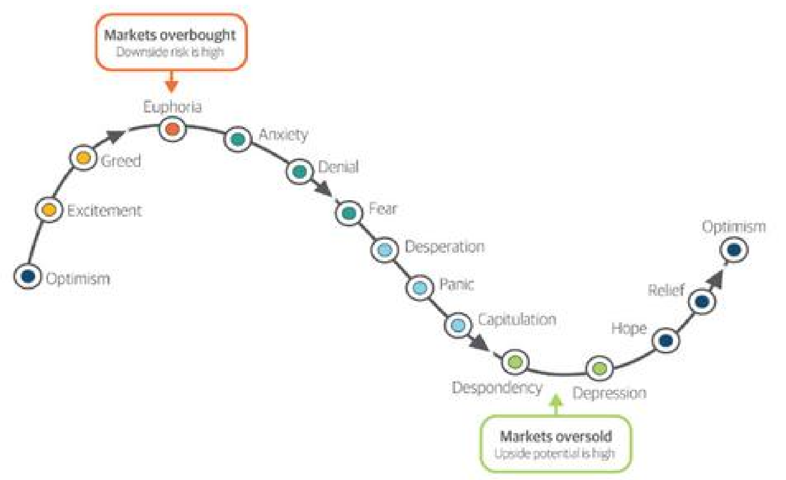
- Investor emotions typically evolve and coincide with an investment cycle.
- Since 1926 1-year returns for the S&P 500 have been positive 73 percent of the time and 5-year annualized returns have been positive 87 percent of the time.
- The S&P 500 has posted compounded annualized returns of 10.6 percent from 1970 through the first half of 2023.

Whether you are just beginning to invest or have been at it for a while, the ups and downs of the market can make you feel like you're riding on an emotional roller coaster. The ride can be exhilarating one moment and scary the next. The rush of intense and sometimes conflicting feelings is natural when it comes to matters of money; however, allowing your emotions to dictate your investment decisions can be costly and prevent you from reaching your financial goals.

The era of 24-hour news supplies a steady flow of information to our daily lives, but the barrage of headlines can also feel like we are running from one extreme situation to the next. For investors, that can mean trying to make sense of the latest stories about runaway inflation, concerns about the banking industry, geopolitical tensions or rising interest rates. And while it is good to be informed, it's also important to keep your emotions in check to prevent yourself from making investment moves at what could be the worst possible moment. Investor emotions typically evolve and coincide with an investment cycle, as shown below.

While investors may feel a wide range of emotions on any given day, the two most prevalent that typically spark action are fear and greed. The fear of the unknown or the potential of continued losses on an investment that's declined can be potent, and it often can be enough to drive investors to settle and sell at a loss.

THE CYCLE OF INVESTOR EMOTIONS



Fear can make a bad situation worse

Short-term volatility is a normal part of investing, but the short-term impact of significant movements can shake investors' nerves. However, historical trends between 1926 and 2022 show that annual returns of stocks have been mostly positive. In fact, since 1926 one-year returns for the S&P 500 have been positive 73 percent of the time, and five-year annualized returns have been positive 87 percent of the time. While investing for the long term cannot guarantee the elimination of losses, over 15-year rolling periods stocks have not had a period of negative returns.

Selling in a falling market may lock in losses that can take years to recover from. Investors who stick to their financial plan despite periods of volatility are often rewarded with more attractive long-term returns. Sitting on the sidelines in cash can lead to negative real returns when factoring in inflation, compared with the 10.6 percent compounded annualized returns of the S&P 500 from 1970 through the first half of 2023.

CLIMBING THE WALL OF WORRY

Northwestern Mutual Wealth Management Company. S&P 500 data is from Morningstar Direct. Events and stock market returns are since 1970. The annualized total return of the S&P 500 since 1970 is 10.4%.

Over the course of our lifetimes, we have endured political uncertainty, recessions, wars, social unrest and, most recently, a protracted pandemic that has shaped our country. Despite the wall of worry those events created, the stock market persevered—since 1970 the annualized total return of the S&P 500 is over 10 percent. Investors who took the slow and steady approach by investing $1,000 in 1970 would have had $191,048 by the end of 2022. e bit of body text

Too much of a good thing

Researchers continue to explore the impact that a positive outlook on life has on physical health. Studies suggest it may increase your life span, provide a boost to your immune system, and lower your overall level of stress. However, when it comes to investing, a little optimism is a good thing; too much can lead to overconfidence and rash decisions. In fact, as the chart to your right shows, consumers are often most confident in the economy at exactly the wrong time.

CONSUMER SENTIMENT AND STOCK MARKET RETURNS

Northwestern Mutual Wealth Management Company. S&P 500 and University of Michigan Consumer Sentiment Survey data is from Ycharts. All returns are price returns. All data is from 1952 to 6/30/2023.

Getting caught up in the rush felt when a particular investment is performing well can lead investors to pour money into an asset class in hopes of realizing even greater gains. In doing so, asset allocation plans can get distorted and lead to high levels of risk concentrated in just a few stocks or a single asset class.

Overconfidence in investing can lead to chasing the performance of the latest hot stock or asset class only to see returns turn negative when overinflated valuations return to normal. An example of this occurred during the so-called “dot-com” era of the late 1990s. At the time, the internet was in its infancy, and technology stocks were soaring as investors rushed to get in on the internet’s enormous potential. From 1995 until its peak in March 2000, the tech-heavy NASDAQ Index rose by more than 570 percent before the bubble burst. When it did, the downfall was even more swift, with the index losing 77.9 percent of its value from peak until it reached its bottom in October 2002. It wasn’t until April 2015 that the index reached the high it had hit in March 2000.

The unfortunate reality of math for investors is that gains and losses aren’t linear. That means recouping a 10 percent loss in your portfolio requires an 11 percent gain, but the math gets worse as your losses become larger. For example, a 40 percent loss requires a 67 percent gain.

While no investment plan can guarantee you’ll never see a loss in any given year, chasing performance by piling into the latest hot stock or asset class can lead to concentrated risks that could take years to recover from in the event of a sharp sell-off like the type that occurred during the dotcom era.

Avoiding emotional pitfalls

Emotions are what make us human. They make our lives richer and more meaningful. However, they shouldn’t cause you to make significant changes to your investment strategy. Staying the course with your financial plan requires determination and the ability to withstand the occasional emotional impulse to drastically change direction. Maintain regular meetings with your Northwestern Mutual advisor when times are good, and adjust on your terms, not the market’s. A disciplined, long-term strategy is designed for your financial goals—no matter what stage you are in or where you are starting from—and stress-tested to handle shallow or deep market swings. Then you don’t have to worry about timing the market or reacting because the conditions are already built into your plan.

The fact is, wealth isn’t generated only when times are good but also by the decisions you make when the markets are under pressure. While others feel the need to react to the daily drip of news and speculation, we’re able to tune out the noise. Our ability to remain steadfast and use it as an opportunity for growth—helping capture the upside when the markets eventually recover—comes from our long-standing commitment to drive value over time. We’ve seen that playing the long game tends to win, generation after generation.

The Importance of Planning for the Cost of Long-Term Care

LAURA BENGS | OCT 03, 2023

Key takeaways

- Long-term care is a group of support services people need when they're unable to perform activities of daily living.
- Costs for long-term services vary widely depending on the type of service required, whether you opt for home health care or a room in a nursing home and where you live.
- Having a plan for how you'll cover these potential costs will ensure you're covered in the event you need them.

According to the 2022 illumifin Cost of Care Study1, more than 12 million Americans are currently paying for long-term care services. This may be in the form of nursing home fees, home-based care or other support—but regardless of the type of care, the costs can be significant. And once you start paying for them, they often don't go away. That's why planning for the cost of long-term care is an important part of retirement planning.

What is long-term care?

Long-term care is a category of services designed to help people meet their health and personal care needs. People typically need long-term care when they are unable to perform activities of daily living on their own. The need for long-term care often follows an unplanned health setback, such as a heart attack or stroke. In other instances, the need develops gradually.

Long-term care services can range from minor, short-term assistance to live-in solutions like full-time, in-home care or a nursing home. To meet the criteria for long-term care, a person must need help with at least two everyday activities like eating, bathing, getting out of bed, dressing, and using the restroom.
Unfortunately, the costs for these services are often significant — and once you start using them, they could become an ongoing expense.

Cost of long-term care calculator

Use this long-term care calculator to get a sense of what long-term care may cost you.

How much does long-term care cost?

According to Northwestern Mutual's 2022 Cost of Care Study,2 the cost of long-term care can vary widely depending on the type of care needed and where it is provided. Here are the national averages for different types of long-term care:

- Home-based professional care involves hiring medical or other professionals to provide necessary assistance within the home. Costs for these services can vary based on the certification of your provider. Hiring a home health aide can cost around $29 per hour, whereas a licensed practical nurse could cost $133 per visit .

- Assisted living facilities allow you to live in your own apartment but receive assistance with activities of daily living. These facilities also have common social spaces for residents to enjoy. Depending on the size of the apartment assisted living costs average $5,278 monthly ($63,337 annually) for a one-bedroom apartment.

- Nursing homes offer the highest level of assistance with 24/7 personal and medical support. The national average for a private room is $319 per day, which totals nearly $116,500 per year. A semi-private room is slightly less expensive at $278.34 per day and $101,600 annually.

- Similar to a nursing home, an adult day care center can provide personal and medical support, just not on a permanent basis. Rather than around-the-clock care, an adult day care center can provide support during the day, then the adult can return home on evenings and weekends. A medical adult day care center averages $103 per day (or $26,874 per year) and a socially based daycare setting costs around $98 per day (or $25,480 per year).

2022 NATIONAL AVERAGE COSTS FOR LONG-TERM CARE

NURSING HOMES

ROOM TYPE	AVG. DAILY COST	AVG. ANNUAL COST
Private	$319.39	$116,544.50
Sem-Private	$278.34	$101,594.10

*Annual rates were based on the daily rates multiplied by 365

ASSISTED LIVING FACILITIES

ROOM TYPE	AVG. MONTHLY COST	AVG. ANNUAL COST
1-Bedroom	$5,278.05	$63,336.60
2-Bedroom	$5,279.70	$63,356.40
Studio	$4,999.01	$59,988.12

*Annual rates were based on the monthly rates multiplied by 12

ADULT DAY CARE

ROOM TYPE	AVG. DAILY COST	AVG. ANNUAL COST
Medical Model	$103.26	$26,873.60
Social Model	$98.00	$25,480.00

*Annual rates were based on the daily rates multiplied by 5 days per week, then by 52 weeks per year.

HOME CARE PROVIDERS

HEALTH PROVIDER	AVERAGE RATE
Home Health Aide	
Registered Nurse	$150.07 per visit
Licensed Practical Nurse	

Source: Northwestern Mutual 2022 Cost of Care Study

Covering the cost of long-term care

Given the significant costs associated with long-term care, it's important to plan ahead for how you may cover this expense should you ever be in a situation where you need it. Planning can help give you more freedom to choose the right option without derailing your financial plan should you have a need for long-term care. Fortunately, there are several options for funding long-term care expenses if and when the need arises.

- Personal assets, such as savings or investments, can be a reliable way to cover these kinds of expenses. You can also liquidate other assets to produce additional cash if needed. While this is an option, it could also result in a large tax bill. It's important to consult with your financial and tax advisors before selling or liquidating assets.

- Personal income sources including pensions, Social Security and income from stocks may help with regular, ongoing expenses like long-term care costs. Doing some research into government health programs like Medicaid, veteran's benefits and other resources is another good way to uncover some potential additional sources of personal income to fund some of these expenses.

- An accelerated death benefit rider on a life insurance policy could be another way to cover long-term care needs. However, tapping into your life insurance policy's death benefit will likely decrease the benefit and surrender value.

- Hybrid life and long-term care insurance can provide greater coverage for a long-term care event than a life insurance policy with an accelerated death benefit. With this option, qualified long-term care expenses are initially reimbursed by first accessing the policy's death benefit. Once the death benefit is used, you can access additional funds if you continue to be eligible to receive benefits. If you don't end up needing these funds to cover long-term care, the death benefit value will remain intact, just like a traditional life insurance policy. It's also a permanent product, so it grows cash value.

- Long-term care insurance is specifically designed to cover potential long-term care expenses. This solution may offer the most long-term care coverage for the lowest premium.

Any of these options3—or a combination of them—can put you in a position to cover the range of long-term care costs you may need in the future. Planning ahead and having a strategy for how to cover these potential expenses will put you in the best position to prepare for long-term care needs. If you need help developing a plan that fits your financial situation, consider working with a Northwestern Mutual financial advisor to make sure you're covered.

12022 illumifin Cost of Care Study. Published March 2023 by illumifin Corporation.
2 Published March 2022 by Long Term Care Group, Inc. for Northwestern Mutual.
3 All payments made under insurance policies discussed above are subject to that specific policy's conditions and terms. Be sure to read your policy closely.

Photo credit: Northwestern Mutual

After a decade of unprecedented market volatility, ongoing inflation, and other economic pressures on financial institutions, Northwestern Mutual is proud to share that we expect a record-setting dividend payout of $7.3 billion in 2024.

Our philosophy has always been to share our success with policyowners by paying the highest possible dividends over time while maintaining our financial strength. In fact, this is the 33rd consecutive year that Northwestern Mutual has earned the highest financial strength ratings awarded to any U.S. life insurance or financial services company from each of the four major agencies—Fitch Ratings, Moody's, Standard & Poor and A.M. Best.

What are dividends?

Each year, we make certain financial assumptions. For example, we estimate how many claims we will pay, project returns on our investments, and plan for how much it will cost us to operate our business. If our actual experience is better than we expected (i.e., better than the assumptions underlying our policy guarantees), we may choose to pay a portion of those extra funds back to our policyowners in the form of a dividend; we have done so for more than 150 years.

How you can use your dividend

As a Northwestern Mutual policyowner, there are three ways to use your dividend:

- Purchase additional coverage in your permanent life insurance policy to enable the death benefit and cash value of your policy to grow faster.
- Pay a portion or even all of your insurance premium (if your dividend is large enough to do so).
- Take it as a cash payout, in which case we will send you a check to use however you'd like.

Read more about today's announcement.

The dividend scale and the underlying dividend interest rates are reviewed annually and are subject to change. Future dividends are not guaranteed. Northwestern Mutual continues to have the highest financial strength ratings awarded to any U.S. life insurer by all four of the major rating agencies: A.M. Best Company, A++ (highest), August 2023; Fitch Ratings, AAA (highest), August 2023; Moody's Investors Service, Aaa (highest), June 2023; S&P Global Ratings, AA+ (second highest), May 2023. Third-party ratings are subject to change and are a measure of the company's relative financial strength and security but are not a reflection of the performance or stability of funds invested in a company's separate accounts. Ratings are for The Northwestern Mutual Life Insurance Company and Northwestern Long Term Care Insurance Company.
The options expressed are those of Joshua Cohen and Phoebe Story as of the November date are subject to change, There is no guarantee that any forecast made will come to pass. This material does not constitute investment advice and if not intended as an endorsement if any specific investment or security.

Check Us Out

Article 1- Why Managing You Emotions If Key to Smart Investing
Article 2- The Importance of Planning for the Cost of Long-Term Care
Article 3- Northwestern Mutual Expects Record- Breaking $7.3B Dividend Payout in 2024

LEGACY
FINANCIAL GROUP

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