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$1,657

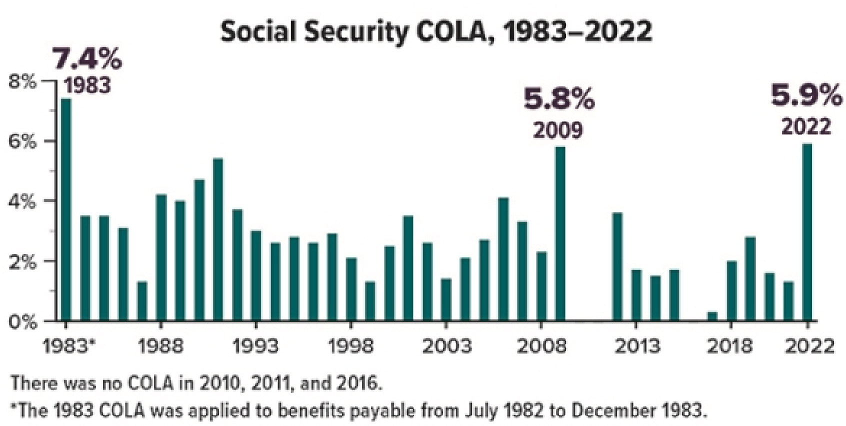
Average monthly Social Security benefit for retired workers after the 2022 COLA. It was $1,565 before the COLA, an increase of $92 per month.

Source: Social Security Administration, 2021

Big Boost for Social Security Payments

The Social Security cost-of-living adjustment (COLA) for 2022 is 5.9%, the largest increase since 1983. The COLA applies to December 2021 benefits, payable in January 2022. The amount is based on the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from Q3 of the last year a COLA was determined to Q3 of the current year (in this case, Q3 2020 to Q3 2021).

Despite these annual adjustments for inflation, a recent study found that the buying power of Social Security benefits declined by 30% from 2000 to early 2021, in part because the CPI-W is weighted more heavily toward items purchased by younger workers than by Social Security beneficiaries.



Sources: Social Security Administration, 2021; The Senior Citizens League, August 11, 2021

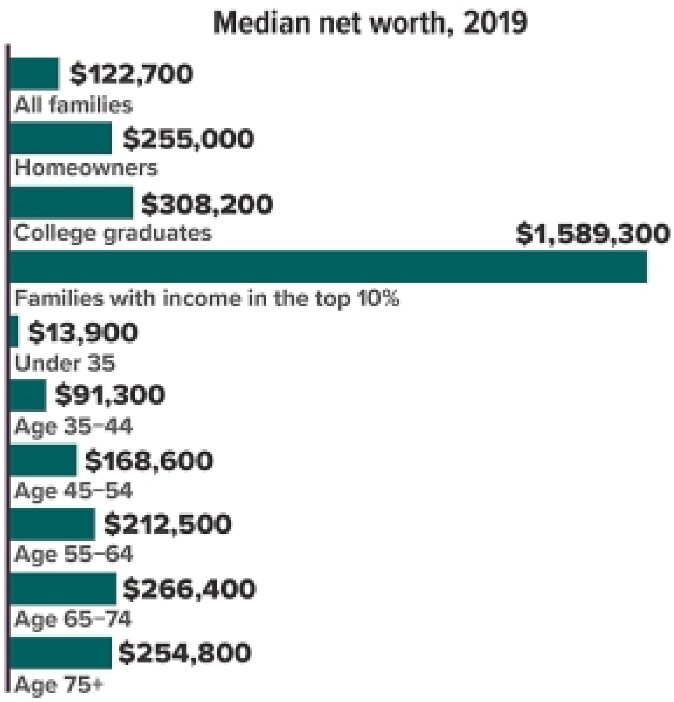
Are You a HENRY? Consider These Wealth-Building Strategies

HENRY is a catchy acronym for "high earner, not rich yet." It describes a demographic made up of young and often highly educated professionals with substantial incomes but little or no savings. HENRYs generally have enviable career prospects, but many of them feel financially stretched or may even live paycheck to paycheck for years, especially if they are working in cities with high living costs and/or facing large student loan payments.

If this sounds like you, it may be time to shed your HENRY status for good and focus on growing wealth — even if it means making some temporary sacrifices. One simple metric that can be used to gauge your financial standing is your net worth, which is the total of your assets (what you own) minus your liabilities (what you owe).

Wealth Snapshot

The net worth of U.S. families varies greatly depending on housing status, education, and income level. But it also takes time to build wealth, so there are significant differences by age.



Source: Federal Reserve, 2021

Pay Attention to Your Spending

It's virtually impossible to increase your net worth if you don't live within your means. After studying long hours and working your way into a good-paying job, you may feel that you deserve to spend some money on fashionable clothes, the latest smartphone, a night on the town, or a relaxing vacation. However, if you can't pay for most of your splurges without relying on credit — or wiping out your savings — then you may need to rein in your lifestyle. Budgeting software and/or smartphone apps can help you analyze your spending patterns and track your financial progress.

Utilize a Workplace Retirement Plan

Making regular pre-tax contributions to a traditional 401(k) plan is a no-nonsense way to accumulate retirement assets, and it helps reduce your taxable income by the same amount. Experts recommend saving at least 10% of your income for future needs, but if that's not possible right away, start by contributing 3% to 6% of your salary to your retirement plan and elect to escalate your contribution level by 1% each year until you reach your target (or the contribution limit). The maximum you can contribute to a 401(k) plan in 2022 is $20,500 ($27,000 if you are age 50 or older).

Many companies will match part of employee contributions, and free money is a great reason to save at least enough to receive a full company match and any available profit sharing. Some plans may require that you remain employed by the company for a certain amount of time before you can keep the matching funds.

Assess Your Housing Situation

Paying rent indefinitely may do little to improve your financial situation. Buying a home with a fixed-rate mortgage could help stabilize your housing costs, and you can build equity in the property over time as your loan balance is paid off — especially if the value appreciates. A home purchase may also afford tax advantages, but only if you itemize rather than claim the standard deduction on your tax return. Interest paid on up to $750,000 of mortgage loan debt is deductible, as are the property taxes, subject to a $10,000 cap on state and local property taxes.

Homeownership is a worthwhile financial goal if you plan to stay put for at least several years. And in many places, owning a home can be less expensive than renting, thanks to low interest rates. But there could be hurdles to overcome, including a hot real estate market, high prices, lingering student debt, and the large chunk of money required for a down payment.

When shopping for a home, resist the temptation to buy more house than you can afford, even if the bank says you can. And don't forget to factor property taxes, insurance, and potential maintenance costs into your buying decisions and household budget.

Building Blocks for Financing College with Less Debt

Financing a college education with the least amount of debt involves putting together a variety of resources in the most favorable way for your family. It requires planning, savings discipline, an understanding of financial aid, smart college research, and good decision making at college time.

Your College Fund

Your savings are the cornerstone of any successful college financing plan. It's helpful to think of your college savings as a down payment on the full cost, similar to a down payment on a home. Then at college time you can supplement your savings with other available resources.

Setting aside money for college over many years takes discipline, and in many cases sacrifice, including lifestyle changes. Every family's situation is different. But if you save regularly over time, you might be surprised at how much you could accumulate in your college fund.

A College Fund Takes Shape

Monthly Investment	5 Years	10 Years	15 Years
$100	$6,977	$16,388	$29,082
$300	$20,931	$49,164	$87,246
$500	$34,885	$81,940	$145,409

Assumes a 6% average annual after-tax return. This hypothetical example of mathematical principles is used for illustrative purposes only and does not reflect the actual performance of any investment. Fees, expenses, and taxes are not considered and would reduce the performance shown if they were included. Actual results will vary. All investing involves risk, including the possible loss of principal, and there is no guarantee that any investing strategy will be successful.

Financial Aid

Financial aid is the next piece of the puzzle. It's a broad term that can mean a lot of things, with concepts that are often used interchangeably. At its core, financial aid is money to help pay for college: loans, grants, scholarships, and work study. Your overall goal is to get the most amount of grants and scholarships (grant aid) and the least amount of loans.

Colleges are the largest source of grant aid, with annual need-based and/or merit-based grant awards that can be in the tens of thousands of dollars. By contrast, the federal government's two main grants, the Pell Grant and the Supplemental Educational Opportunity Grant, are generally smaller amounts and reserved for students with the greatest financial need.

To help find colleges with the most generous grant aid, use a net price calculator, which is available on every college website. A net price calculator provides an estimate of how much grant aid a student might expect based on his or her financial information and academic profile. By completing a net price calculator for several colleges, you can compare what your out-of-pocket cost (net price) might be at different schools and rank colleges based on affordability.

The federal government's main contribution to the world of financial aid is in the form of student loans. All students, regardless of financial need, are eligible for federal student loans.

Additional Funding Sources

Other potential resources at college time might help reduce the overall amount you'll need to borrow: what you can contribute from current income during the college years; your child's earnings from a school or summer job; education tax credits, which could be worth up to $2,500 per year; financial help from grandparents or other relatives; and scholarships from civic, private, or nonprofit groups.

On the cost-cutting side, your child might consider graduating in less than four years; attending community college for two years and then transferring to a four-year college; becoming a resident assistant to get free or discounted room and board; living at home for a semester or two; exploring all in-state public college options; and deferring enrollment for a year to earn money and take advantage of any employer educational assistance.

After taking everything into account — the amount of your college fund, the grant aid your child might receive at specific colleges, the amount of money you and your child can contribute from current income during the college years, and the availability of other resources and cost-cutting measures — you can determine how much borrowing would be required for specific colleges and make an informed choice.

Borrowing money to pay for college can easily spiral out of control. Make sure your child understands what the monthly payment will be for different loan amounts over a 10-year repayment term. If the numbers look daunting, don't be afraid to say "no" to certain colleges. Most teenagers are not financially experienced enough to fully understand the negative consequences of extreme borrowing, so it's up to parents to help eliminate options that aren't financially viable.

If You Drive but Don't Own a Car, Consider Non-Owner Insurance

If you don't own a vehicle but regularly rent or borrow one, you might consider purchasing non-owner car insurance. This type of liability insurance provides coverage when you're driving a car that isn't yours.

Whenever you're behind the wheel, having adequate liability coverage is important because it helps protect you against claims if you injure someone in an accident or cause property damage. Here are some reasons to consider buying a non-owner policy.

You frequently use car-sharing services. Especially popular in cities, car-sharing services allow subscribers to rent vehicles on demand. They typically offer some liability insurance coverage, but you may need more to supplement it.

You frequently drive rental vehicles. In most states, you're required to have liability coverage when you drive, and rental companies will provide at least the minimum amount required by the state. However, that may not be sufficient. Having a non-owner policy may help you avoid the extra cost of buying supplemental liability insurance offered by the rental company.

You're temporarily between vehicles. If you have a coverage gap, you may pay more the next time you buy auto insurance. Having a non-owner policy can bridge the gap between the time you cancel one insurance policy and buy another.

You need to have your driver's license reinstated. If you've had a serious moving violation, you may be required to prove that you have liability insurance in order to keep your driver's license or have it reinstated, even if you don't own a car. A non-owner policy may be used to satisfy that requirement.

A non-owner policy covers the cost of property damage you cause or injuries to people involved in the accident who are in a different vehicle. It generally won't provide coverage for you, any passengers, or the vehicle you're driving. (However, depending on the options available in your state, a non-owner policy may include other types of coverage such as medical payments, uninsured/underinsured motorist, or personal injury protection that might cover you and your passengers.) Typically, you won't be covered if you're driving a vehicle that is available for your regular use or owned by someone in your household who has auto insurance — generally you need to be listed on that policy.

Non-owner coverage is typically less expensive than standard auto insurance, but the premium will depend on factors such as coverage limits, where you live, and your driving record.

If you're interested in a non-owner policy, talk to your insurance professional who can help you determine what coverage you may need and the premium cost.