Financial Stuff

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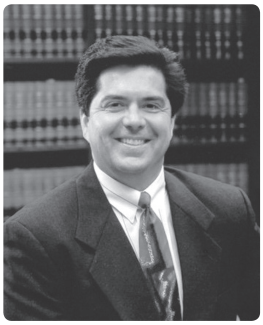
INSIDE



John F. Robbins, MBA, CFP®

SHOULD WE STAY OR SHOULD WE GO?

10,000 baby boomers turn 65 each day. In just 10 years, 20% of our population will be 65 and older. More and more Americans will be more focused on how to simplify/manage daily life instead of planning trips and/or making tee times. Many Americans under 65 are also heavily involved with helping their parents and/or friends change gears as they age. Many of us don't like to think about aging, but it is going to happen. Most of us feel younger than we are. 90% of Americans want to age in their home. It's comfortable. We have routines, privacy, freedom, we can have a cat or dog without getting permission from a stranger, we have plenty of space, we're not really old yet… ***Why give that up?*** And that is true! Our experience with these situations is doing nothing is usually best until it isn't! That's the good news. The bad news is 25% of people over 65 fall each year. Most falls happen in the home and due to something preventable; clutter, loose rugs, no railing, poor lighting… Another problem with aging at home is that time takes your friends and routines away. Many become isolated as neighbors die, move away and/or we simply don't get out as often. Loneliness shortens life expectancy. Many have paid off the mortgage by age 65, but the new challenge is making homes elderly friendly. The costs can be significant. And moving is stressful! We see situations where the cost to modify an existing home is less than $10,000, but sometimes more than $100,000. The next phase of not moving is getting help with the yard, housekeeping, maintenance… 60% of Americans over 65 need help doing something at home that they used to do themselves. Full time help can cost as much as $4,000 per month. As time passes, aging will require decisions whether we move or stay. Independent senior living is affordable for most, but assisted living now costs $3-4,000 per month and long term care $8,000 per month. Few Americans can afford either of these options. Moving is becoming more of a family decision and the normal triggers are accidents or health changes. The day can come when it's no longer safe to be alone in your home. Most Americans, both the parents and the children, don't want to talk about it, but it's usually best to begin the discussion before it becomes an emergency. Especially since lifestyle changes usually involve money and getting advice from others. While assisted living is expensive, there can be health advantages. They are designed to help you with many daily activities; food, housekeeping, medications, etc. Sharing a building with others also has social advantages. Change is hard, but it is easier when we plan for it. Better to make your own decisions than have strangers make them for you. The best word that comes to mind is ***"anticipation."***

(Source: Wall Street Journal, Pew Research Center, MIT, John Hancock, Census Bureau)

Even if I knew that tomorrow the world would go to pieces, I would still plant my apple tree.

MARTIN LUTHER

In my many years, I have come to a conclusion that one useless man is a shame, two is a law firm, and three or more is a Congress.

JOHN ADAMS

MEDICARE & SOCIAL SECURITY INFO: A FEW DATES TO KEEP IN MIND

- 62 Earliest age to apply for reduced Social Security benefits. Can apply earlier for disability and at age 60 if you are a widow.
- 64 Begin researching Medicare options.
- 65 Enroll in Medicare. Those who claim Social Security early are automatically enrolled. Others must sign up during their enrollment period or face lifelong penalties.
- 65+ Older workers still covered through work can delay enrolling until their group coverage ends.
- 66 is the Full Retirement Age (FRA) for people born between 1943-1954. 67 years old for people born in 1960 or later. Earnings restrictions go away at FRA.
- 66+ Those who delay Social Security earn delayed credits of 8% per year.
- 70 Delayed credits end. Collect maximum Social Security benefits.

(Source: Investment News, Social Security Administration)

UP OR DOWN?

With market ***"volatility"*** returning to the picture, there is increased incentive to figure out why. The economy is strong, so shouldn't stocks be going up? What about the ***"efficient market theory?"*** It says markets move based on millions of sophisticated investors buying and selling with the most recent data. It makes for good news, but the reality is on any given day, there are simply more people selling than buying. Or vice versa. And today, much of the daily trade volume is due to computer algorithms going one way or the other. Back in the 16th century, people decided tulip bulbs were the key to wealth. Was a single tulip bulb worth 1,000 pounds of cheese? Or 8 pigs? For awhile, the buyers were saying yes. Most market traders today aren't concerned about the true value of GM or Ford. They simply try to determine what someone is willing to pay for a share in the next minute, hour, day or month and then trade accordingly. One could argue the markets aren't efficient, but inefficient, with fear and greed taking turns driving. Everyone in the back seat is simply along for the ride. Fundamentally today, stocks are on the expensive side. **BUT!** Not so much if you factor in interest rates. So the mystery continues. The best news is we don't have to figure out why something is happening at any given moment. Over time, stocks make more money than bonds. Economics drive the markets over time. In the meantime, on any given day, at any given moment, emotion drives most of the buying and selling. When the markets are falling, people get nervous. They stop spending money. Businesses, run by people, stop expanding. Emotion becomes reality. The selling continues until it stops. Trends continue longer than most expect or predict. The conclusion? On any given day, stocks go up or down because they go up or down. The advice? Stick to your plan!
(Source: Barrons, Fortune, WSJ, IBD)

70% STRUGGLE WITH WHAT?

For 30+ years we've been helping people retire. We know retirement! 95%+ of our clients wish they had retired sooner, which is a stark contrast from the typical American retiree where 70% report they are struggling with one or more aspects of retirement. How can having time and freedom be challenging? According to the MIT Age Lab, retirement is broken down into 4 phases. The first phase should be filled with sleeping in, traveling, walking the beach. A time when we say, ***"This is the life!"*** The problem is the honeymoon ends. Life becomes routine again. Other parts of retirement (financial, emotional, mental, cognitive, physical, social) will decline at some point, and depending on how/when/what/why/where we start having some problems. Routines, roles and relationships in place since kindergarten change. Nearly all enjoy the freedom, but they aren't sure what to do with it. Too much of a good thing becomes boring or stressful. You may miss your friends at work, church or the neighbors. The spouse may not like having you around all the time! If you don't have something to fill your day with, then you may struggle with your identity. You may feel like you don't have a function anymore. And what about taking care of your parents and/or grown children. Referred to as the ***"sandwich generation,"*** you change from your identity being what you did at work to being someone taking care of others. Care-giving is very stressful and demanding. The good news is retirement can be the best years of your life. It just takes some planning. Being forced into retirement is rarely a smooth transition, but when you're directing the ship it can be very special. Think about and prepare for the new routine. If the calendar looks empty, then look into part time work, or volunteering. Perhaps taking some classes at a local college or university. What about new friends? Check into the different activities and groups close to home that may be of interest. How about mentoring children or young adults? The Internet helps search for anything. Simply ask a question. And don't forget spending less than you earn! Financial pressure impacts every aspect of life. Make changes on your own terms. Don't let money dictate the terms.
(Source: Hartford Funds, MIT)

TO ITEMIZE OR NOT TO ITEMIZE

While our actual tax liability won't change much in 2018, there are many changes to the Schedule A. Thankfully, for many, they will no longer need to itemize. For medical deductions, they must exceed 7.5% of Adjusted Gross Income (AGI). State and Local taxes are now capped at $10,000. Interest on home mortgages remains deductible unless the loan amount exceeds $750,000. Investment (margin loans) interest is still deductible. Charitable contributions are still deductible. All deductions subject to the 2% cap are gone. Personal casualty and theft losses are gone. ***What to do?*** Complete the Schedule A and see where you stand against the new standard deduction amounts. *(Source: Kiplinger, IRS)*

TO ROTH OR NOT TO ROTH

We've discussed this before and the ***"what if"*** questions remain. Roth IRAs today have 2 basic advantages over a traditional/regular IRA. Withdrawals are tax free and there are no Required Minimum Distributions at 70 1/2. The most important difference between a traditional/regular IRA and a Roth IRA is deciding whether to make ***"before tax"*** or ***"after tax"*** contributions. Simply put, let's assume deducting a $1,000 traditional IRA contribution (before tax) saves you $250 in taxes today. Compared to a Roth (after tax) where you would need $1,250 before taxes to make a $1,000 contribution. That's a potential $500 swing in cash flow on just $1,000. The popular thinking on a Roth is you will save more in taxes tomorrow than what you are paying today because taxes will be higher tomorrow. Right? Maybe, maybe not. There are plenty of moving pieces in the assumptions. What about converting a Roth so your children or grandchildren won't have to pay taxes when they inherit the account? Nice idea, but also involves moving pieces. What if the children are in a lower tax bracket? Roth Conversions increase taxable income today, which can also increase other taxes and/or eliminate deductions and credits. A very important question is when will you need the money? The sooner you will need it, the less attractive Roth IRAs become. The primary benefit of a Roth is the money accumulates tax free. Another important question is what money is used to pay the taxes today. For example, a 75 year old wanting to convert a regular IRA so the children won't have to pay taxes may make sense if they have more money in the bank than they need, but probably not if the taxes come out of the IRA. Giving money away is better accomplished from a regular IRA than a Roth, since it avoids taxation. What about deductible medical expenses? Once again there are variables in the assumptions. Each situation is somewhat unique from an income tax standpoint. What about opportunity cost? You're giving Washington money today in exchange for a promise that you won't have to pay taxes on the gains tomorrow. Will you win or lose? It depends on what happens tomorrow! Washington is more focused on collecting money today, so it appears the Roth IRA rules are safe for now. *(Source: Financial Advisor, IRS, Ed Slott)*

LIVING TRUSTS

A revocable trust (also commonly referred to as a living trust) can help a person manage or protect their assets should they no longer be able to. A key feature of a revocable trust is the ability to make changes (aka amendments). The negatives of a revocable trust are they can be expensive to create and maintain. They also do not directly protect against estate taxes. What are the benefits? Probate Avoidance: Assets placed within the trust will be distributed according to the trust's instructions and usually outside of probate. This can be especially useful when real estate is owned in more than one state. The trust helps to reduce/eliminate the chances of facing probate in several jurisdictions. Privacy: Wills become public records when they are filed with the court. Revocable trusts remain private. The privacy feature may also help to avoid disputes between heirs over inheritance. Second Marriages: A revocable trust can ensure that children are taken care of by the people you select. They can also help ensure what's remaining will be passed to the appropriate children and/or stepchildren. Incapacity: Revocable trusts smooth the transition of control when a person is no longer able to manage his or her finances due to accident, illness, cognitive challenges, age related problems, etc. Another important document for these situations is a durable power of attorney and to have your accounts titled properly. Special Care Needs: A revocable trust can provide for a family member with special care needs. This is important when an outright inheritance would cause a person to be denied government benefits. *(Source: Financial Planning)*

POWER OF ATTORNEY (POA)

This form gives control of your finances to someone you trust if something happens to you. Your POA has the authority to pay bills, manage bank accounts, oversee investments, prepare/file tax returns, maintain properties, etc. Choose wisely, since you are giving another person access to all your money and assets. Your POA not only needs to be trustworthy, but also competent. There are on-line forms you can create yourself, but probably best to hire an attorney. Why? Some POAs require specific clauses that are difficult to comprehend without professional help. Some situations can arise where you would not want your POA involved. What kind of POA will you need? Durable? Non-Durable? Springing? If your first choice declines, then who is the successor? Another reason why hiring an attorney may be best. In order to complete the POA, you will need witnesses to help ensure the person giving up the power is in their right mind when doing so. A professional can usually best vouch for the mental capacity of the person if someone later tries to invalidate the document in court. Yes, family members can get upset and sue when they are not named the POA! Having a professional witness helps! Remember that quality pays! Just because a computer generated POA looks official, it doesn't make it so. Your POA is a very important document. Make sure its done right. Most attorneys will prepare a POA for less than $200. *(Source: Financial Planning)*

CASH IS KING?

On any given day it is! Quite a few in 2018 and the entire year for that matter. **BUT!** Over time it is a drag on returns 73% of the time. That is, stocks do better 7 days out of 10. We all need cash for emergencies and for the ***"sleep at night"*** factor. Most studies recommend 3-6 months living expenses in ready cash. Now that 10,000 Baby Boomers are turning 65 each day, we're seeing more studies on how much cash one should hold near or in retirement. Our experience suggests 6-9 months living expenses is plenty for emergencies and opportunities. As we age, increasing the cash and/or conservative bonds in our investment portfolios is a common practice to reduce the risk and volatility. Again, over time, stocks outperform cash 73% of the time. Normally when stocks are down significantly. 2018 serves as a reminder of how often that can happen! *(Source: Fidelity, T Rowe Price, American, Stansberry)*

TAX CUTS?

The new tax laws have immediate benefits for most of us. BUT… What about tomorrow? Not being reported is how the new law changes how inflation is measured, which over time will raise everyone's taxes. And the changes are ***"permanent."*** The IRS will now use the ***"chained"*** CPI instead of the "standard" CPI. Our ***"representatives"*** made this change under the assumption that the ***"chained"*** CPI will be more ***"accurate."*** Uh huh… One example is 2008-2009, when the initial chained CPI was reported at 2.7%, revised to 3.8% and then revised once more to 2.5%. The actual CPI for 2008-2009 was 2.7%. So what John? Taxes are always rising one way or the other. The Federal budget has increased from ~$1.5 trillion to ~$4.0 trillion in the past 25 years. How many household incomes have increased by 250%+ since 1993? Our ***"representatives"*** talk about how they will ***"tax the rich"*** to pay for everything, but the reality is the bulk of taxes are paid by the middle class. There simply aren't that many ***"rich"*** people. Over time the new inflation rules will have a regressive effect on marginal rates, tax credits, exemptions, Social Security, etc. The Congressional Budget Office estimates that using the chained CPI instead of standard will increase government ***"receipts"*** (a.k.a. taxes) by $125 billion over the next 10 years and $500 billion in the 10 years after that. As one of our ***"representatives"*** once said, ***"A billion here and a billion there, pretty soon you're talking about real money."*** Don't forget that the current tax cuts are not permanent. And Social Security, Medicare, etc. are still calculated with the standard CPI, which will cause taxes on entitlements to increase faster than benefits. What to do? The same as always, take advantage of ways to reduce your taxes. *(Source: IRS, CBO, Horse's Mouth, Investors Business Daily)*

READY FOR RETIREMENT?

Like most things in life, the more time you have to prepare for retirement, the better it will be. Even for those getting close, there is still time to prepare. When you are 5 years out, it is a good time to begin reviewing your retirement plan a little more closely once a year. What will your income be? How much do you need? Assume a modest withdrawal rate from your retirement plans, such as 4%. Do the numbers look okay? If not, then let's talk about what changes are needed. What will your end game look like? What if you live to 100? Will you need to downsize your house? Should you consider simplifying your life before retirement? Are your estate documents up to date? Does a long-term care policy make sense for your situation? What will you actually do in retirement? Should you experiment with the lifestyle now to make sure the routine works for you? Are there any changes needed for the house? Your cars? Will you be debt free at retirement? If not, then should you refinance now? What will your income taxes look like? Any changes needed now? The most common tax question is whether to convert traditional retirement funds to a Roth. It rarely makes sense, but can be beneficial in some cases. What about your health insurance? What is the investment strategy? An annual review will help you smooth the transition from working to retirement. *(Source: New York Times, WSJ, AAII, Financial Advisor)*

EVERYONE'S BUYING? THEN SELL!

Everyone's Selling? Then Buy! There is a difference between trading/speculating and investing. Investing is a long term discipline and lifestyle. So is trading/speculating. If you want to be an investor, then the key is to never let today's trading/speculating impact your long term plans. Warren Buffet said that in the short term the markets are nothing more than betting machines, but over time they are weighing machines. It is difficult to impossible to ignore the ***"news"*** of the day. Especially when your investments are dropping in price. After all, money makes the world go around. For some, money is more important than faith and family. How much money we have impacts everything we do. Or don't do! As a result, it's easy to be a victim of market activity. In my experience, the major mistakes clients make are emotional responses to short term activity. Mistakes that impact the rest of their lives. In most situations the client should have done the opposite. Fear and greed are powerful adversaries. What matters is profit. Is the company making money? Is the economy growing? Are the company's earnings, cash flow, revenue and dividends growing? If so, then the stock price will eventually go up. Don't be a victim. Stick to your plan.

> *The same prudence which in private life would forbid our paying our own money for unexplained projects, forbids it in the dispensation of the public moneys.*
>
> THOMAS JEFFERSON (1808)

POOR MAN'S ESTATE PLAN?

We've talked before about how to avoid probate by naming beneficiaries to accounts and how in most instances this works just fine. BUT! One recent trend is retirement plan custodians are no longer as ***"trust friendly"*** as they used to be. **BUT!** Many trusts are once again being named as the beneficiary for retirement accounts. A trust may or may not be able to name a beneficiary for a retirement account. It depends on a variety of factors. Sometimes as simple as individual custodians do not follow trust instructions. When that happens, your retirement account can end up in probate! It's very important to do a beneficiary review periodically. And especially when there is a major event; death, divorce, etc. There are more and more cases in IRS Tax Court where the estate documents are inconsistent with the account beneficiaries. When something happens, the beneficiaries need to be updated. And don't forget to name contingent beneficiaries. Your Will does not replace the beneficiary form for the account! We have many clients who name one child with the assumption that they will split the account with their siblings. For IRA accounts, losing the ability to stretch the account can easily happen. This can create a huge tax liability that could have been stretched over two generations. *(Source: Financial Planning, IRS)*

RATS!!!

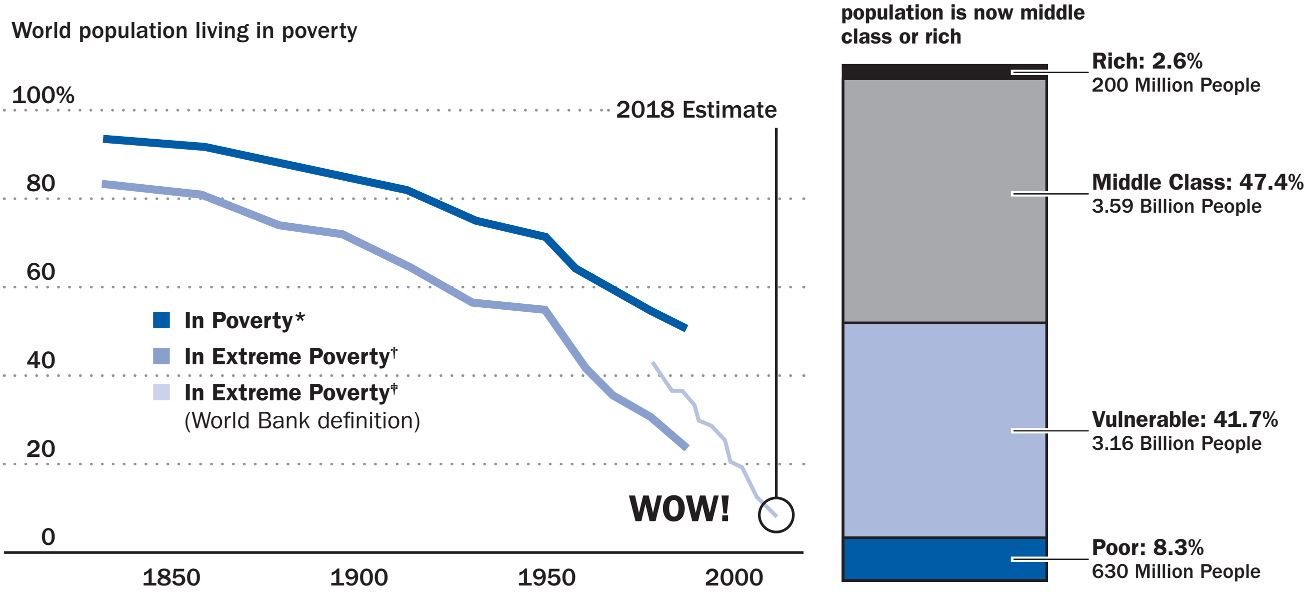
Storms and accidents provide the opportunity to revisit assumptions, strengthen security, etc. Now that we are officially in a bear market, we can review how we survive one. And since it's the beginning of the year, we can make some *New Years Resolutions!*

1. **Only invest when you can stick with the plan.** We are all attracted to the highest return, but what happens when that strategy involves going down by 30-40% before it goes up by the same or more? You will make the most money when you stick with the strategy best suited for you. Bear markets happen. Can you ride it out?
2. **Only invest when you can stick with the process.** Making money is a good goal, but what is the process to get there?
3. **Why are you investing?** A good reason to sell an investment is when why you bought it in the first place no longer applies. Why are you making this investment?
4. **Why/When should you sell?** What needs to happen?
5. **Review.** Have a set schedule. Once a year. Once a month is probably too often. Maybe quarterly.
6. **Rebalance.** This helps to capture gains on the best performing investments and to limit how much you have invested in any particular asset. When? Perhaps when your targets are off by 5% or more.
7. **Check your expenses.** The cost to invest continues to fall. The less you pay for managing your investments, the more you keep for yourself!
8. **Autopilot.** Set up anything that can happen automatically. It reduces mistakes and manages emotions.
9. **Keep a checklist.** Like periodic reviews, it's good to check the boxes from time to time to make sure you aren't missing anything important.
10. **Emergency Contacts & Management.** What if something happens to you? Or someone else in the boat? Keep and maintain emergency instructions.
11. **Beneficiaries up to date?** Any changes or corrections needed?
12. **Discipline.** Stick with the plan, but be open to new ideas. The world is constantly changing.
13. **Don't panic!** Storms come and go. It's so tempting to panic when everyone else is! Successful investing normally involves doing the opposite of what your friends and family are doing. Panic can cause lasting damage to your investment plan.
14. **Avoid Big Mistakes.** Don't chase the hot investment or park it all in cash. Stick with the plan and process. Don't let emotions carry the day with fear or greed.
15. **Individual Investors have advantages.** Enjoy the flexibility you have to not follow the institutions.
16. **Investing is a business.** The goal is to create and preserve wealth.
17. **Protect your identity.** Keep things simple. Change passwords. Freeze your credit report if you're not borrowing money.
18. **Help others by helping yourself.** Make sure your own boat is seaworthy before you jump in to help another. If you are financially healthy, don't do anything to jeopardize that. People that are broke don't care about you joining them! All they want is your money! Don't give away money if it jeopardizes your financial health. Stay in good health. Get your sleep. Surround yourself with people who share your beliefs and lifestyle. Have a sanctuary where your needs, wants and desires come first.
19. **Patience is good.** Slow down. Consider your steps. Don't let short term events jeopardize long term goals. The end result is you will make fewer, but smarter decisions.
20. **Breathe!** Often the best action is no action. The world looks very crazy at any given moment, but open the window a bit and the big picture is pretty stable. Being scared is normal. Athletes get scared, but they win the game by executing. Focus on your strategy and goals.
21. **Life matters most.** Focus on things you enjoy most. Friends, family, faith, hobbies, lifestyle…

IS IT ALL OVER?

Poverty continues to fall in the USA and around the world. Why? That nasty word *"**capitalism.**"* 50% of the human population is now middle class or rich. Illiteracy, disease and violence are all going down. We don't see it in the news because this is good news! Solving the world's problems will continue by applying the knowledge, resources and technology we already have. This report is a huge improvement since 1980. For most of recorded history, mankind lived in extreme poverty. Want to know more? Go to the website "***Our World Data.***" It tracks human welfare over the past 300 years.

Fewer at the Bottom, More in the Middle



*Poverty = Less than \$2/day (1985 dollars). †Extreme Poverty = Less than \$1/day (1985 dollars). ‡Extreme Poverty World Bank = Less than \$2/day (2011 dollars) All figures adjusted for inflation.

Sources: Our World in Data, World Bank, World Data Lab

The Wall Street Journal

RETIRE EARLY?

I Want Out! There is a growing number of Americans retiring before 60. Most not by choice. We talk to people regularly who want to retire early, but can't afford it. But how early? There is one small group referred to as *"FIRE,"* that means *"Financial Independence, Retire Early."* Interested? The first step is determine why you want to retire early and then plan how to achieve it. The primary step is spending **WAY LESS** than you earn. For most, we're talking about saving 50-80% of your income. This normally requires downsizing your house, cars, clothes, etc. It also involves tracking every dollar spent so you know exactly where your money goes. You'll need to pay off all debts aggressively and never borrow again by building a substantial emergency fund. Instead of 3-6 months living expenses, keep at least 12 months liquid. Take full advantage of retirement plans and health savings accounts to minimize your taxes. **KEY = INCREASE INCOME.** Find second and third jobs or other sources of income to increase how much you save. For the few who successfully retire in their 30s and 40s, most return to some form of profitable activity after enjoying a few years of the *"good life."* As I've referred to in the past, everyone needs a function. God has wired us with a purpose that rarely involves sitting around in our pajamas playing video games, walking the beach… *(Source: US News & World Report, Kiplingers)*

WHOLE LOT A' SHAKIN' GOIN' ON!

Most investors were happy to see 2018 in the rear view mirror. The smooth sailing of 2017 was short lived as the S&P 500 dropped by 9% between January 26th and February 8th. It did not get back to the January high until August. The S&P 500 peaked again in late September, before beginning a new slide which continued into the first trading days of 2019. The market had its worst December since 1931, making 2018 the worst year for the index since 2008 with a drop of 6%. Since 1929, the average number of trading days that are *"volatile"* (+/-1% or more) in any given year is ~60 days or ~25%. 2018 was no different with 64, but it sure seemed like it. Especially in October, November and December when we experienced some huge swings up and down. Sometimes in the same day! Way up or down in the morning and then the opposite by the closing bell. International markets also went down for a variety of reasons. To top it all off, 2018 also was a bad year for bonds and/or fixed income due to rising interest rates. ***What about 2019?*** We'll find out together. *(Source: Nasdaq Dorsey Wright)*

> *Do not save what is left after spending, but spend what is left after saving.*
>
> WARREN BUFFET

ELIMINATING VARIABLES

We've talked before about how many Americans cannot come up with $400 in an emergency. Why? *"Live for today, for tomorrow we die!"* Most live paycheck to paycheck. Most don't have extra money because they spent it already! Combined with living longer, not having money is a real inconvenience. And what about retiring early? Most of us want to, but that takes money too! We meet with many people in their mid to late 50s who want to retire and/or do something different. The good news is if you combine your financial plan with your lifestyle goals, the impossible becomes possible. Most of the questions we need to answer don't involve money. What motivates you? What makes you happy? What inspires you? Like sports, winning involves discipline, work, commitment and sacrifice. Answering the *"what if, when, why, how, where"* questions also helps. What if I live too long? Studies after study reveals how we live is more important than longevity in your bloodline. What if I'm simply not able to work as much as I used to? The day is coming for all of us. Planning and preparation are both key. When should I retire? When should I start Social Security? How much do I need? How long will I live? Do I need *"guaranteed"* income? How can I reduce my living expenses? How do I pay off all my debts? What about long term care? Who will help me when I need it? What happens when I die? What about my children? What do I do in an emergency? Happiness is much more than money, but having enough money helps! *(Source: Kiplinger, Vanguard, Fidelity, American Funds)*

MARKET FORECASTS (AKA PREDICTIONS)

Who predicted 2018 would have 19 new highs for the S&P 500 Index, yet end the year down? Nobody! Going into 2018, billionaire investing guru, Ray Dalio, said. *"If you're holding cash, you're going to feel pretty stupid."* Turns out cash was one of the few asset classes in the black for 2018. What about 2019? What are they saying on Wall Street? Motley Fool? Barron's? Grant? Market forecasts are everywhere, with predictions ranging from the end of the world to utopia for all. Internet ads, editorials, television, radio, newsletters, neighbors, strangers in the park… Everyone has an opinion. As a rule, market forecasts aren't worth much. Those who get it right today, are wrong tomorrow. And vice versa. One popular group is the Barron's annual 10 Wall Street Strategists. For 2018 they were off. As usual. For 2019, they are predicting a gain of 19% for stocks. What about bonds? The *"experts"* don't do well here either. Why are we drawn to predictions that rarely come true? When made with conviction, they motivate us to act. For many *"experts,"* they are simply selling something; a new book, blog site, web page, newsletter, higher speaking fees. And there's little to no downside when they are wrong. If they are right, they can say, *"See! I told you so!"* When wrong, no one cares or remembers and they simply move on to the next prediction. Market forecasts have little to no value. They commonly result in bad decisions. Time invested, and what you are invested in, generates 94% of investment returns. What do we know today? Investments are less expensive than they were last year. Will prices drop further before they go back up? No way to know for sure, but history says at some point markets recover. *(Source: Vanguard, Fidelity, Barrons)*

RETIREMENT INCOME STRATEGIES

Yes, but… Knowledge has become a commodity today, but wisdom is still sold separately! Few financial advisors around the country deal with retirement income every day, or at all. Spending money is not the same as saving it. Especially after two once in a lifetime bear markets over the past 20 years. If I just *"spend less than I earn…"* Different investment strategies produce different results. While you do need to spend less than the investments make over time, there will be times when you are receiving income while your account value drops. Another enemy is inflation. $1.00 today will not be worth as much tomorrow. Stocks clearly offer the best return over time, but they also are the most volatile.

Just send me the interest… Another good option, but today is an excellent example of how it may not always work well. The yield on stocks today is ~2% and bonds ~3%. If/when rates go back up, then spending all the interest may not be the best option.

The best investment pays the most… There are times when this is true, but not always. Consider long-term US Treasuries. Supposedly the safest investment in the world, they are paying less than 4% today. There have been times when they were paying close to 20%. There have also been times when their value dropped by 20% in one year. What about *"high yield"* bonds; aka *"junk"* bonds? They are paying 5-6% today, but they can drop in value just as much as stocks in a bear market.

My stocks pay dividends… Yes, but it is cash coming out of the company's value. On the day a dividend is paid, the price of the stock almost always drops. As a rule of thumb, the higher the dividend, the lower the total return over time. Dividend paying stocks can be excellent investments, but the dividend is just one part of the total return.

Stocks are better than bonds. Over time this is usually true, but… The key is *"Divide your portions."* A well diversified portfolio offers the best known way to generate a more predictable income stream in retirement that will also combat inflation. *(Source: Investors Business Daily, Financial Advisor Magazine)*

Society in every state is a blessing, but government, even in its best state, is but a necessary evil; in its worst state an intolerable one; for when we suffer or are exposed to the same miseries by a government, which we might expect in a country without government, our calamity is heightened by reflecting that we furnish the means by which we suffer.

THOMAS PAINE (1776)

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FEBRUARY 2019

HOW JFR FINANCIAL SERVICES CAN HELP YOU.

We are in business to serve you! More specifically, we are in business to help you work toward your lifelong financial goals. Services available through JFR Financial Services include:

Financial Planning and Consulting	Estate Planning
Retirement Planning	Public Speaking and Educational Seminars
Personal Coaching	Insurance: Life, Health, Disability, Long-Term Care
Business Planning and Development	College Funding Programs
Real Estate Investment Trusts	Management Training Classes and Consulting
Mutual Funds*	Fee-Only Investment Consulting and Asset Management
Stocks*, Bonds*, Brokered CD's*, Money Markets*	Employee Sponsored Retirement Savings Plans
Asset Management	Retirement Plans: IRA, SEP, 401k, Keogh, 403b
Annuities, Fixed and Variable*	Full-Service Brokerage Accounts*

We have the knowledge, tools and experience to help. Call us today at 800/315-2945 or 734/692-1421.