Financial Stuff

A publication of **JFR FINANCIAL SERVICES, INC.** DECEMBER **2019**

INSIDE

LIVE TO 100? 12 DIFFERENT JOBS/CAREERS?

John F. Robbins, MBA, CFP®

An MIT study found those with the most money live the longest. They have more money to spend on their health, but as a rule they live healthier lives and they sleep better thanks to not having as much financial pressure. The study found men/women in the top 1% outlive the poorest 1% by 10–15 years. Life expectancy is also increasing more quickly for the rich than the poor. Add to this 62% of married couples who both work and we see why wealth inequality is increasing. It's not just the current tax law. These trends have now been in place since the 1960s. Starting slowly and then accelerating. What about Medicare? Doesn't it subsidize the cost of health care for the rich and poor? Yes, and it is going broke! Perhaps as early as 2026. What if you live 15–20 years longer than you expect and Medicare no longer covers as much of the cost to see your doctor? We are helping more and more clients who are outliving their money or already have. It's not fun to change lifestyles when you don't want to. Retirement itself is not that old of a concept. It originated in Prussia in the 1880s and was based on the assumption that you had outlived your normal life expectancy. It is safe to assume that more Americans will be working longer than planned and/or at least part time in retirement. Add in the growth of the global ***"virtual economy"*** and we have less and less predictable career paths. As of today, the Bureau of Labor Statistics (BLS) says the typical American changes jobs 12 times during his or her career. What to do? The fundamentals never change, but these developments dictate that we may need to work longer and save more in order to enjoy a comfortable retirement. *(Source: Financial Planning, Fiduciary Network, MIT, BLS)*

"FIRE" = FINANCIAL INDEPENDENCE, RETIRE EARLY!

It's the latest craze that is gaining traction. It's certainly appealing. Why retire at 65 when you can go at 40? The problem, similar to most *"Get Rich Quick"* schemes, is it takes money. There's a big difference between how much you need for a 50 year retirement versus 30. So what is the secret to accumulating enough wealth by 40 that very few Americans can do by 65? The normal routine is driving old cars, wearing old clothes, living in a very small house or trailer and, wait for it... Saving 70–80% of your income! Instead of the usual 10–20%. There is no lack of ***"professional advice"*** on how to reach the mountaintop from people selling books, how-to guides and/or subscriptions to their blogs/newsletters. Sounds an awful lot like ***"Spend less than you earn,"*** just a bit extreme. Most of the advice ignores a few important variables, such as health insurance, inflation, where you can live comfortably on much less than everyone else... The end result is few people truly pursuing **FIRE** are planning on doing nothing for 50 years. Most plan to continue working part time and/or at something they can't afford to do today. *(Source: Wealth Management, WSJ)*

RICH IS AN ATTITUDE

We've covered this topic many times. Most of the richest people in the world do not have a lot of money. They simply have chosen to focus on the things that make them happy. What about becoming rich by the world's standards? Most importantly, it all starts with *Spending less than you Earn, Be/Become Debt Free and "Dividing Your Portions."* And after that, there are a few more steps!

1. **Think and Ask Questions.** What I like to call *"What If?"* What if I improved my talents and skills? What if I stopped doing something and used the time to do something else? What if I make it to the top? Then what?
2. **Getting Counsel.** The bible says a *"wise man has many counselors."* Professional athletes get input from coaches and other experts. Why not you? It's never wise to think you have all the answers.
3. **What's My Function**? As youngsters we often aim high when we ponder the *"When I grow up"* possibilities. Now that we're adults, and the odds of winning the NBA title are low, what should we focus on accomplishing? Maybe it's as simple as being a better dad. Improving my skill set so I can increase my income. The most important thing is to have goals. And once you achieve them, make some more!
4. **Building/Preserving the Temple.** What about your mind and body? There is no substitute for exercise. My past few years have been poor. Lost my dog, my tennis buddy and my water skiing buddies. As we age, it becomes more difficult to replace our valued relationships and maintain habits! Don't stop starting over. Set obtainable goals. It can be as simple as 30 minutes a day to start. And work your way up. We function much better physically, emotionally, mentally and spiritually when we are in good shape. Nearly every *"Rich"* American prioritizes their health.
5. **Get Up Early!** There are a few of us who function better at night, but most accomplish much more and are happier getting the ball rolling early in the morning. Start by getting up just 15 minutes earlier and see what happens. Then 30 minutes. Then 1 hour. It's like stealing time! There's only so much time in the day and we all have the same amount. Most millionaires get up 3 hours before their work day begins. Many use the extra time to exercise before work. Whether it's 30 minutes or an hour, it helps. Recharge everything! What can you do each morning to improve yourself? It may be as simple as thinking about what you can do better and then making a plan. For me, I begin each day with my devotions. A little prayer, a little Scripture and a biblical principle to ponder. Family & Friends. Make them a priority.
6. **Daily Routine.** You may not accomplish what you set out to do on any given day, but it shouldn't be due to a lousy routine. Like sports, there are routines that lead to victory and those that lead to loss.
7. **Be Positive!** Be Happy! Life isn't complicated. What we think and believe is what we are. The cost of the car we drive is not as important as where we're going in it. Having more money helps, but it is not the source of our joy.

GOT EXTRA TIME?

Check into *"Senior Corps."* A national volunteering organization for Americans 55+. Helping others and/or staying involved can lead to a healthier retirement. Many say they get more than they put in. It gives them a sense of purpose. Some who have suffered loss find helping others is a way to move on and heal. 84% said they are in better health and 78% reported feeling less depressed. There are ~200,000 Senior Corps volunteers today. If you have a passion, then it's very likely Senior Corps can find a way to help you pursue it. *(Source: Kiplinger, Senior Corps)*

> *A quiet life stimulates the creative mind.*
>
> ALBERT EINSTEIN

> *I think a lot, but I don't say much.*
>
> ANNE FRANK

SOLO TRAVELER?

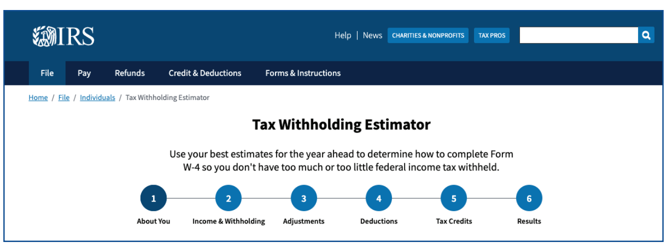
More than 50% of American adults live alone. Many of whom enjoy traveling, but don't want to go alone. Check into www.roadscholar.org and www.solotravelerworld.com. They both have many trips to choose from. You can still have as much privacy as you want, but enjoy having the same faces around during the day. It's an opportunity to socialize as opposed to being isolated. According to Road Scholar, 67% of their participants are traveling alone and enjoy being with people who share the same passions as well as having an expert guide. *(Source: Kiplinger, Road Scholar, CBO)*

INVESTMENTS 101

The fundamentals circle around the human condition, whether we like to admit it or not; *fear, greed, hope and ignorance.* Human error wipes out more capital than anything else. Forecasts are not good. You would be better off flipping a coin. The only forecast to remember is human beings will continue to act as they have for the past 500 years. Keeping a journal can be of value. Analyzing your own wins and losses. There are many variables to record, but fun to look back on your thinking at a certain time and compare it to what happened. The old saying hindsight is 20/20? Basically true, but we have a tendency to change our hindsight so we can better live with ourselves! What to do? ***The fundamentals never change. Time + Interest + Money.*** As Einstein said, compound interest is good. Put it to work for you. Over time it can make you happy. The Rule of 72* reveals how long it takes for money to double. For example, a 3% bond will take 24 years to double. Set goals. If you want to be a millionaire, and can handle volatility, then saving $1,000 per month at 9% will get you there in 25 years. If you can't handle volatility, and invest in 3% CDs, then it will take 45 years. Discipline matters. There are many things we can't control, but we are able to control how much we spend, how much we save and how we allocate our investments. History reveals there are processes that generate the best returns over time. Following the best strategies is the way to go! Know and respect history. As Einstein said, ***"History doesn't repeat itself, but it rhymes."*** As we look out on the horizon, it is likely what worked yesterday will probably work tomorrow. Control your emotions, ignore today's news and follow the maps that others used to reward themselves.

What If… Always good to ask questions. Is yesterday's strategy still good today? If I take another road, then where does it lead? Learn as much as you can, but remember at the end of the day the actual battle plan is pretty simple. Like sports, the difference between winning and losing is usually as simple as sticking to the fundamentals. *(Source: AAII, Kiplingers, FPA, Investors Business Daily, WSJ)*

** The rule of 72 is a mathematical concept and does not guarantee investment results nor functions as a predictor of how an investment will perform. It is an approximation of the impact of a targeted rate of return. Investments are subject to fluctuating returns and there is no assurance that any investment will double in value.*



TAX ESTIMATOR

The IRS has created a new tax estimator that works better than the old one. Log into www.irs.gov and click on *"Tax Withholding Estimator." (Source: IRS)*

IT'S THE TIME IN THE MARKET, ***NOT*** TIMING THE MARKET

Patience is a great investment strategy.

Taking financial news with a grain of salt is easier said than done when it feels like your financial security is on the line. But history has shown us that the impact these events have on the market is significantly smaller than it may seem. In fact, whether you ***"pick the best"*** or the ***"worst"*** days to invest. Money invested for the long-run has tended to see similar growth.

Why can it pay to stay in the market long-term?

Take a look below — if you had invested $10,000 in the market in 1969, your investment would have grown more than 100 times, amounting to $1,069,385 by 2018. ***But,*** if you had tried to time the market and missed just the top 10 days in that 50-year span, that $10,000 initial investment would have grown about half the amount — $515,684.

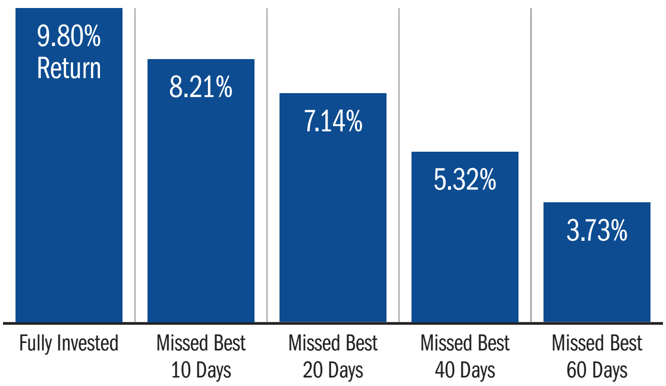
Returns of the S&P 500

Performance of a $10,000 investment between January 2, 1969 and December 31, 2018

Seven of the best 10 days occurred within **2 weeks of the 10 worst days.**

The **best day of 1997** – **October 28** – was only 1 day after the worst day – **October 27**.

The best day of 2011 – **August 9** – was only one day after the worst day – **August 8**.



Source: J.P. Morgan Asset Management analysis using data from Bloomberg.

Catching up after market decline

STARTING BALANCE	% LOSS	ENDING BALANCE AFTER LOSS	GAIN REQUIRED TO BREAK EVEN
$100,000	**-10%**	$90,000	**11.1%**
$100,000	**-20%**	$80,000	**25.0%**
$100,000	**-30%**	$70,000	**42.9%**
$100,000	**-40%**	$60,000	**66.7%**

Smart investing is all about the amount of time you spend in the market, not trying to time the market.

LUMP SUM OR GUARANTEED CHECK

Fewer Americans have a defined benefit pension, but for those who do they may have to decide whether to take a lump-sum payout, which can be rolled over into an IRA, or receive a lifetime monthly annuity payment. The decision can be complicated by annuity options, such as single life, joint life, 50% joint and survivor. The decision has major financial implications. The simple analysis involves comparing the annuity payment with what you can generate investing the money yourself. The primary key is life expectancy. Those who expect to outlive their life expectancy may be better off with the annuity. For example, assume at 65 your company offers you a single life annuity for $2,000 per month versus a lump sum of $300,000. $24,000 per year is an 8% payout, which is impossible to beat dependent on how long you're going to live. However, it is important to remember the average return on the annuity will be just 4% assuming a normal life expectancy of 18 years. If you live past age 83, then the average return will increase. For example, if you live to age 90, then the average return increases to 6.5%. If you die before age 83, then it is very likely the insurance company will come out way ahead. Other factors are your current income needs, health, risk tolerance, the financial strength of the annuity company, estate plan, beneficiaries, dependents, etc. We've helped hundreds of people make this decision over the years. *(Source: Charles Schwab, American Association of Individual Investors)*

ARE YOU SECURE?

With fear, uncertainty, etc. being blasted in every direction, it's a challenge to maintain our sanity. If only we could predict the future! Since no one can, it's important to plan accordingly. We all need to be prepared for the what ifs in life. Instead of eliminating the potential for loss, we measure and adjust risk to an acceptable level. Investments rise and fall. In order to get a better return, we have to accept this reality. What we can control is our cash flow. In a worst case scenario, reducing withdrawals helps to preserve the principal until the markets recover. As farmers like to say, never sell the dirt. This becomes especially important in retirement, when you can no longer work overtime to buy a new boat and/or replace lost money. Another important practice is to catch and correct mistakes. There is no need to track your investments daily, but at least once or twice a year. Risk is always an important consideration. Every holding should be reviewed to ensure you understand how you can get to your money (liquidity), how much the investment is making (reward) and what could go wrong (loss). Most of you simply compare the bottom line on your statements and rely on us to sweat the details. Regardless of the routine, uncertainty is a part of life. Unless we're talking about the Lions! Life involves mistakes and bad decisions. Instead of trying to be perfect, which is not possible, the best step is to plan for uncertainty so it won't affect your lifestyle. The basic question is how much are you spending each month and how long will your money last? If you're likely to run out of money before the Lord calls you home, then it's time to adjust the plan. It's common to want to spend your last dollar taking your last breath, but life rarely plays out that way. The good news is once the big picture is in place, investing becomes pretty mechanical. Most Americans live day to day without a plan. Maybe Washington too? Without a plan, we become much more vulnerable to the daily uncertainties of life. Making plans during an emergency is not good. Watching the market gurus on television and trying to act on their recommendations is like going out in a boat during a hurricane. Not a good idea. In bull markets, we're drawn to ***"Buy, Buy, Buy!"*** In bear markets, normally cautious investors are drawn to pull out at the worst time. *(Source: WSJ, AAII, Kiplinger)*

YOU GET NOTHING!!!

Many Americans, for one reason or the other, want to leave things to someone other than family. Or a little more to one child over the others. Most importantly, put it in writing. Without a valid will or trust leaving money to others, family members are the ***"default"*** recipients of your estate. Few states recognize common law marriage. No state recognizes friends or charity. Also, if you choose to leave property to others in your will, your family must still receive legal notice, opening the door to challenge or ***"contest"*** your will. Thankfully, there are ways to leave money to others and avoid probate.

1) **Co-Owner.** When you make someone co or joint owner on your accounts, this avoids probate at death. **BUT!** It also exposes your assets to lawsuits and claims of the co or joint owner.
2) **Beneficiary or Transfer on Death.** This has been the norm for life insurance policies forever and becoming the same for most financial accounts. At your passing, all the beneficiary needs to do is present a death certificate. For many, this can eliminate the need for a trust. This can also be a good option for families where the parents want to balance out an inequity from the past or reward a child for something extra they did. Keep in mind that "possession is 9/10ths of the law" still applies in the legal world. Any assets passing outside of probate are very difficult for family members to dispute or contest.
3) ***"No Contest"*** **Clause.** This is where you should definitely use an attorney. When you acknowledge a family member in the will by leaving them $1.00 or something insignificant, it becomes more difficult for them to contest the will, but it also doesn't cost them anything to try. If you leave them something more than nominal, then they have an incentive not to contest your estate.
4) **This is why you get nothing!** When you document why someone is being disinherited, be careful. Again, this is where an attorney earns his/her keep. Legal documents are very specific. Simply writing ***"I don't like my brother"*** probably won't work well. The primary roads to challenge estates is to question your competence and/or that you didn't understand what you were signing. Many attorneys today are videotaping the no contest provisions.
5) **Spouses.** Call your attorney! It is very difficult to disinherit a spouse. The most common situation is a second marriage

where a spouse wants to leave money to children. Prenuptial and post-nuptial agreements can handle the ***"what if"*** situations. You and your spouse can also ***"waive"*** estate rights in a separate document. The only downside with these agreements is that they require both parties to consent and usually require separate legal counsel to be effective. It is not possible to disinherit a spouse without their consent.

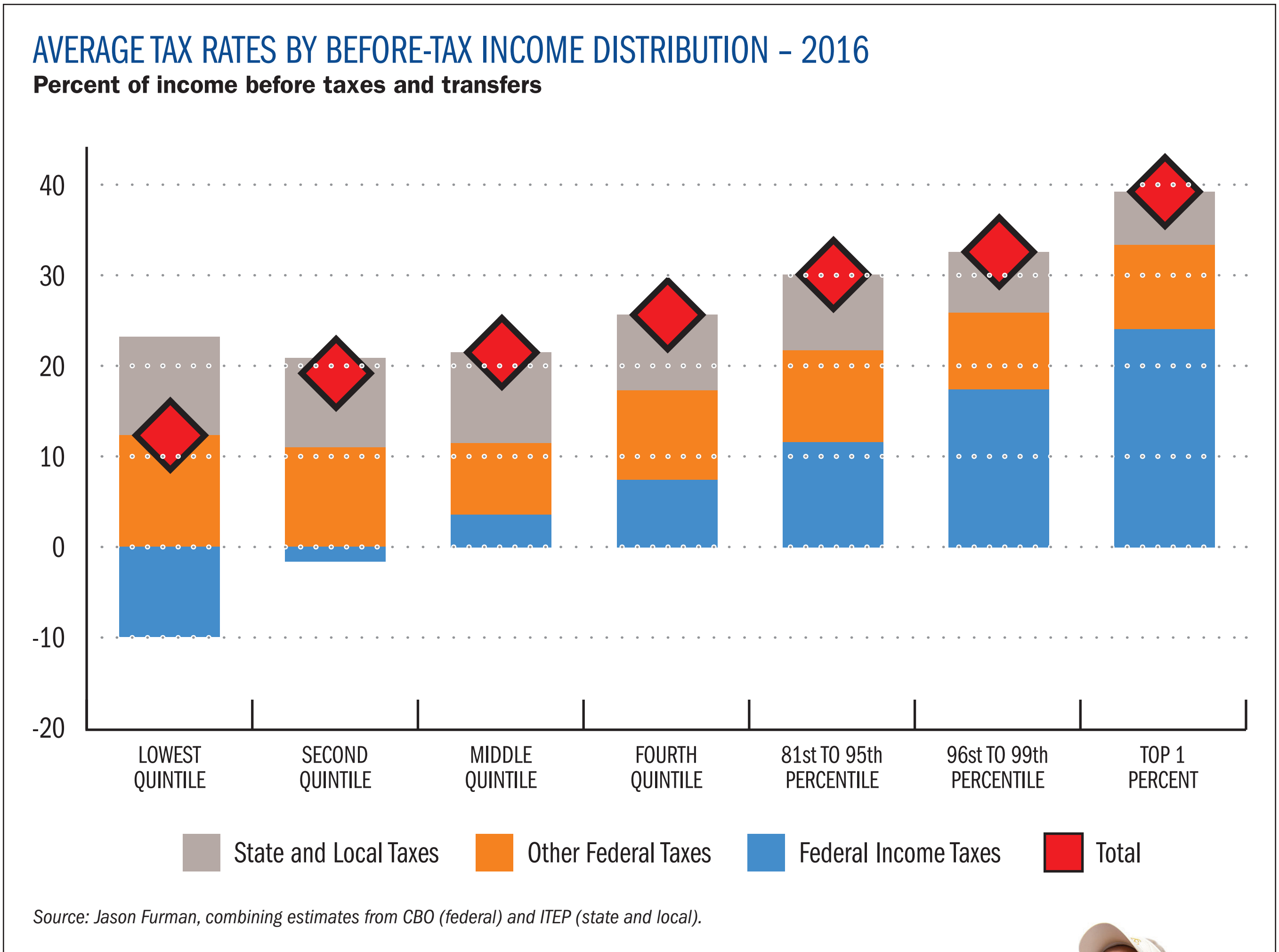
6) **Updating Legal Documents.** Make sure the new documents contain the proper language to confirm it is replacing an old document. Follow the formal legal guidelines. Do not assume everything is logical. *(Source: Advisor Perspectives)*

RETIREMENT ACCOUNTS: WHAT IF...

In addition to reviewing and updating beneficiary forms periodically, it is important to have a power of attorney (POA) just in case the owner of the account becomes incapacitated. Without a POA, no one will have access to the account without a court order. A POA is generally prepared by an attorney, allowing someone referred to as the ***"attorney in fact"*** or agent, to make financial decisions on your behalf. Therefore, serious thought and consideration should be given to who is named as the ***"attorney in fact."*** Serious thought should also be given to the provisions included in the POA. The owner (principal or grantor) can limit the POA to specific financial matters. Most importantly, a POA is not permanent; the provisions can be changed and the entire POA terminates at the owner's death. A durable POA goes into effect immediately and continues to be in effect in the event the owner becomes incapacitated. A ***"springing"*** POA is effective only when there is an event that triggers it. Will your IRA custodian accept a POA? Some IRA custodians do not. Some have specific paperwork, process and procedures. If the POA plays a role in the overall estate plan, it may be necessary to check with the various institutions to see what their policies are for estate planning documents. Another common variable is living trusts. Naming the trust as beneficiary of an IRA and/or putting assets into a trust requires planning. Since an IRA cannot be held in a trust without triggering a taxable event, a POA may be needed to manage the IRA if the owner becomes incapacitated. Preparing for your financial future includes planning for the unexpected. POAs can help.
(Source: Lord Abbett Funds, WSJ)

IMPORTANT BIRTHDAYS!

At age 50, the IRS allows you to make ***"catch up"*** contributions to your retirement accounts. At age 55, if you are retired, you can begin penalty free withdrawals from 401k and 403b plans without paying the 10% penalty. At age 59 ½, you can start making withdrawals from retirement plans without penalty. At age 62, you become eligible for Social Security at a reduced amount dependent on when you were born. At age 65, you become eligible for Medicare. At age 70, this is the maximum age for delaying Social Security. At age 70 ½, or better said ***"around age 70 ½,"*** you must begin making withdrawals from your retirement accounts.
(Source: Brighthouse Financial)



IT'S ALL ABOUT THE MONEY

Or Is It? A recent survey by the *Wall Street Journal* found that Americans spend more time planning for their wedding than retirement. As our life expectancies increase, we need to do a better job planning for tomorrow. Few of us retire with someone else. We all know others who are retired, but we usually don't spend too much time with a fellow retiree each day doing the same things. We usually retire alone from a daily routine standpoint. The financial mysteries are being addressed in so many ways, while few are looking at the daily routine, the mental and emotional challenges. It's best to think of retirement as an ongoing transition. Three to five years out be thinking about what you're going to do. Review your finances to see how much you have each month to maintain your lifestyle and how much is needed for fun and extra things. One year out is a time to have the financial plan in place. It's also good to make some decisions on what you'll likely do each day. After the first year of retirement, review everything again. **What was fun? What wasn't? How much money did I spend?** Three years into retirement is time for another review. **Who am I? Is it good or bad? Is my life in balance? Is my checkbook in balance? How much do I need to save?** 10% is a good number. The problem is few Americans save anything. For those saving 10%, there is still a 30% chance they will outlive their money. Saving for retirement is like dieting. The mechanics are simple, but the discipline and emotion can be tough. **Exercise? Yes.** The word *"extreme"* is becoming more common. And for good reason. Staying not just active, but very active, has many benefits. Exercising your brain works the same way. The more the better. *(Source: Wall Street Journal)*

WHAT IS OLD AGE?

Does it begin when we quit working? Start losing our mind? Get cranky? Get set in our ways? ***There isn't a set definition.*** A recent study by Pew Research determined *"old"* is relative based on how old we are. 30 year old Americans think old age is 60. 60 year olds think old starts at 70. 70 year olds think they won't be old until they turn 80. The more interesting finding was very few of us feel old. As few as 21%. Just 35% of 75+ Americans feel old. Most still think anyone on Social Security and Medicare is old, but these norms were established 85 years ago when life expectancy was 62 instead of 85. The actuarial tables for Social Security had most of us dying before we received any benefits, much less collect for 30 years. Few think this way, but working is actually good for us. More retirees today are going back to work. Few of us are wired to sit around doing nothing. We all need a function, but it is normal to save as much as we can, as fast as we can, so we can retire early and do nothing. Work provides purpose, a daily routine, friends, exercise. We also have to do a better job with age discrimination in the workplace. According to the AARP, 60% of employees have witnessed age discrimination at work and 90% say it is common. The majority of cases are filed by people in their middle to late 50s. If we updated the Social Security system from 1935, we would not be eligible for early benefits until age 80 and full benefits at 85. Normal thinking today assumes work is bad, leisure is good and retirement is best. Having enough money so we can retire and do nothing is considered good. And if we don't love it, then we don't say anything out of fear of others thinking we're idiots. Or if we do keep working, then many will conclude we're a workaholic, can't afford to retire, don't like our wife, etc. when nothing may be further from reality. It's time we revisited our assumptions of old age nirvana and draw some new lines in the sand. There is value to work. And virtually all of us can contribute. Pushing people out of the workforce for any reason should not be automatic. *(Source: Pew Research, AARP, WSJ)*

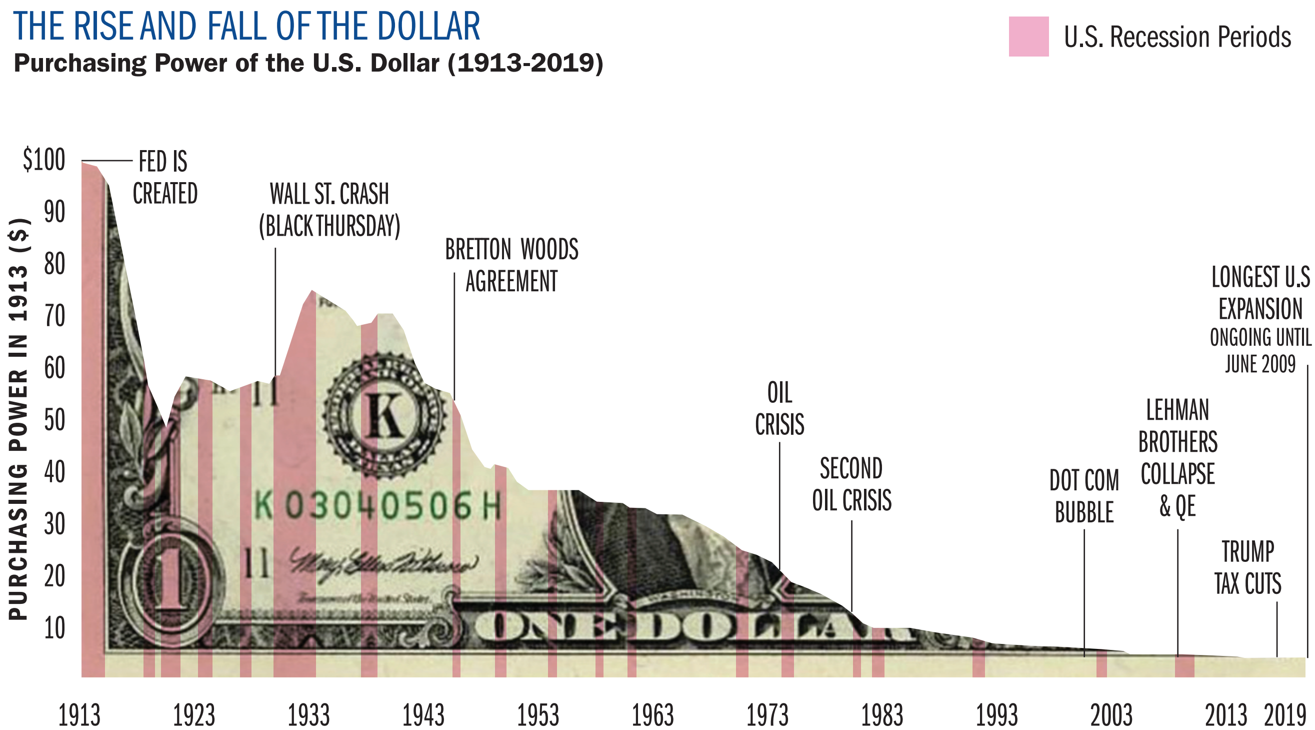
RETIREMENT REFORM?

In between the mudslinging, Congress is working on retirement plan reform. The good news is it will be easier to fund retirement accounts. The bad news is how we will pay for it. The ***"Stretch IRA"*** will be eliminated and naming a trust as beneficiary will no longer work. **Why?** Washington wants ***"their"*** money more quickly. The current provisions allow retirement funds to be deferred not only to your children, but also your grandchildren. Dependent on the beneficiary's age, IRAs could be stretched for 70+ years. Controlling retirement funds from the grave will no longer be possible either. The popular trusts being used for this purpose today are conduit and accumulation or discretionary trusts. The current proposals will require both trusts to be paid out in 10 years or less. The end result is life insurance may once again be the vehicle used to maintain and/or pass on generational wealth. Congress wants to eliminate IRAs as an estate planning tool. The only mystery is what door they will leave open to replace it. *(Source: Investment News, Ed Slott)*

> ***If you want a real friend — that you can trust in Washington... go buy a dog!***
>
> HARRY TRUMAN

THE RISE AND FALL OF THE DOLLAR

Purchasing Power of the U.S. Dollar (1913-2019)



Article & Sources
https://howmuch.net/articles/rise-and-fall-dollar
https://howmuch.net/sources/rise-and-fall-dollar

howmuch net

JFR Financial Services, Inc.

3133 Van Horn Road
P.O. Box 130
Trenton, Michigan 48183

DECEMBER 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.