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Your Objectives Drive Stock Strategies

No matter the activity you're engaging in, your strategy has to be driven by your end goals — what you want to achieve. In investing, of course, there are myriad objectives — short-term objectives like a trip to Hawaii, medium-term objectives like sending the kids to college, and long-term objectives like a comfortable retirement. Here, we'll take three objectives that are very different but also very common among investors. We'll show how based on these different objectives, your investment strategy may need to change.

Objective: Retire Comfortably in 25+ Years

If you're young and your primary investment objective is retirement, then your first strategy should be to take full advantage of the power of compounding. Compounding means you are earning returns on both your principal investment *and* accumulated interest. It's what allows your money to work for you — to really grow over time.

But taking full advantage of the power of compounding requires that you start investing early, you stay invested for the long term, and you maximize the returns your investments generate. In other words, it requires that you invest in the stock market.

Remember, while the stock market has experienced some dramatic swings in the last century, over time, returns have been quite robust. The key is over time. When Jeremy Siegel, a professor of finance at Wharton, analyzed stock market returns over the 200 years ending in 2001, he found that stocks were very volatile, but only in the short term. The longer the term, the greater the return and lower the risk stocks posed. Over every 30-year period, stocks always made money. Why? Because the longer term gives

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Borrow Wisely

- Use debt only for items that have the potential to increase in value, such as a home, college education, or home remodeling. Avoid incurring debt on items like clothing, vacations, or other luxuries.
- Consider a shorter term when applying for loans. Even though your monthly payment will be higher, you will incur much less interest over the life of the loan.
- Make as large a down payment as you can afford. If you can make prepayments without incurring a penalty, this can also significantly reduce the interest paid.
- Consolidate high-interest-rate debts with lower-rate options. It is typically fairly easy to transfer balances from higher-rate to lower-rate credit cards. Another option is to obtain a home-equity loan.
- Compare loan terms with several lenders, since interest rates can vary significantly. Negotiate with the lender.
- Review your credit report before applying for a loan. You then have an opportunity to correct any errors on the report. ❍❍❍

Your Objectives

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stocks sufficient time to recover from downturns.

Objective: Retire Comfortably in 5–10 Years

While stocks have always made money over any 30-year period, over shorter time periods, returns were more volatile. No one knows that better than investors who were close to retirement when the financial system imploded in 2008. According to research by the Employee Benefits Research Institute, "many 401(k) participants near retirement had exceptionally high exposure to equities: Nearly 1 in 4 between ages 56–65 had more than 90% of their account balances in equities at year-end 2007, and more than 2 in 5 had more than 70%." Those investors suffered outsized losses as the stock market declined.

So as you get closer to retirement, it's important to move into less-risky investments — in other words, fewer stocks, more bonds, and cash equivalents. (Though just as a long-term portfolio should not include only stocks, a shorter-term portfolio should not be completely devoid of stocks.) Increasingly prevalent are lifecycle or target-date funds, which automatically adjust a portfolio's asset allocation depending on the investor's age or years until retirement (typically, automatically shifting from stocks to bonds and cash as the investor ages and/or approaches retirement).

Objective: Generate Income

Many investors plan to use investment returns (and perhaps even draw down principal) as income during retirement. Once you've reached that phase, your strategy should change again, different than the strategy you employed when you were 5–10 years from retirement. At this point, you'll have to balance the dual goals of generating enough returns so that your investments are not eroded by inflation and, at the same time, lasting your lifetime as you are making withdrawals. Inflation varies, but plan for a rate of about 3% a year, meaning that your investments must generate at least 3% to maintain an even level of purchasing power.

If you're going to also be drawing down the principal of your investments (rather than just using the returns), how much can you withdraw? The answer, of course, depends on the size of your portfolio, your age, and how long you might live. ❍❍❍

6 Steps to Get Finances under Control

You probably know it's time for you to get serious about managing your finances, but when it comes to getting started — well, that's the hard part. But if you follow a few relatively simple steps, you can put yourself on the path to pursuing your financial goals.

Get Organized — Dedicate an afternoon to going through your paperwork and online accounts. Designate a central space for important financial papers and file them in an organized way. Once you know where everything is, dealing with mundane financial tasks is much less stressful.

Find Out How Much You Have — While you don't need to track what you have down to the penny, you should add up everything, including cash in your bank accounts, money in investments, and other things of value. Then total up all the money you owe on your mortgage, credit cards, student loans, and other debts. Subtract what you owe from what you have and you'll know where you stand financially. Tracking that number over time can help motivate you.

Track How Much You Spend — Keeping tabs on how much you spend will show you where your hard-earned money goes and may help you find ways to put your cash to better use.

Pay Down Any Debt — If you have debt, you need a plan for getting out of it. Look for ways to cut spending or boost your income so you can make extra payments on your debt. At the same time, look at the financial behaviors that led you to rack up debt in the first place.

Start Saving for a Rainy Day — If you don't have a savings cushion of three to six months of living expenses, now's the time to start accumulating those funds. You'll also want to save for longer-term or more specific financial needs, like retirement and/or a child's college education.

Set Goals for the Future — Saving for the future and sticking to your financial plan will be easier if you have clear goals in mind. After completing the above steps, you should have a pretty good idea of some of the goals you might have, like paying down debt, building up an emergency fund, or getting on track for retirement. Having those goals in mind can help you stay motivated and organized financially.

Please call if you'd like to discuss this in more detail. ❍❍❍

8 Questions Your Financial Plan Should Answer

You may have a financial plan, but is it really working for you? The fact is not all financial plans are created equal. If your financial plan is going to get you to where you want to be financially, make sure it answers these eight questions.

How Much Do I Have, and How Much Do I Owe?

Before you complete any other financial planning task, you need to take stock of where you currently stand. That means taking a complete inventory of your assets as well as assessing how much you owe. Subtracting the second from the first will tell you your net worth. Your financial plan should make it easy to determine your net worth at a glance.

What Do I Want to Achieve with My Money?

We all have personal and financial goals. Perhaps you want to buy a bigger house in a nicer neighborhood. Maybe you want to be able to send your kids to college debt free. You might be dreaming of owning a second home someday, retiring at 55, or starting your own business. Your financial plan should specifically identify your goals and outline steps you need to take to turn those dreams into reality.

Are My Investments Appropriate for My Goals?

You know what your goals are, but is your money invested in a way that will help you get there? Your financial plan should point you toward investments that are appropriate for both your goals and your risk tolerance. That means carefully balancing the risk you need to take to achieve acceptable investment returns with the amount of risk you're comfortable taking based on your personality (some of us are natural risk takers, while some are more risk averse).

Am I Protected in Case of a Disaster or Emergency?

One of the main reasons to have a financial plan is to protect yourself and your family in the event the unexpected happens. Part of being prepared is having an emergency fund, and your financial plan will tell you how much savings you should have. But that's just the beginning. You'll also want to protect your income with disability insurance and safeguard your assets by having proper insurance.

Am I Paying the Right Amount in Taxes?

Thinking about taxes is no fun, but what's depressing is realizing you've been paying the government more than you needed to. A comprehensive financial plan will include an evaluation of your tax situation. If necessary, your advisor will make suggestions for steps you can take to better manage your tax burden and keep more of the money you earn.

What's My Plan for Retirement?

Whether you're a few years or a few decades away from retirement, your financial plan should include knowing what will happen after you stop working full-time. Your plan should address how much you need to be saving for retirement and how to invest that money.

What Will Happen to My Money When I Die?

Your financial plan and your estate plan go hand in hand. Part of comprehensive financial planning involves checking to make sure that the beneficiaries on your retirement accounts and insurance policies match with your overall estate-planning goals. A financial advisor can also work with your estate-planning attorney to make sure your assets aren't lost to unnecessary taxes and address other issues related to how your wealth is distributed after your death.

Who Can Help Me Achieve My Money Goals?

Finally, your plan should clearly identify who is in charge of helping you achieve your most important financial goals. Your financial advisor is a critical partner in your financial life, guiding you to make smart decisions that will put you on the path to achieving your goals.

Please call if you would like to discuss this in more detail. ❍❍❍

★★★★★ Star Buffalo Wings

Recipe by Alton Brown, courtesy of Food Network

We know that it's the season of sports, and we know many of you are on a budget, which means being able to make comfort food (even bar food) at home can help to keep the budget in line with your goals. This recipe requires you to steam the meat then bake it. Then you toss it in your favorite sauce.

Honey Mustard dressing is a sweet and delicious recipe for kids and adults, alike. Sweet Baby Rays has one of the best Buffalo Wing Sauces that you can buy at the grocery store. If you're a fan of take-out Chinese, try this recipe with a Teriyaki Sauce, also available at the grocery.

12 whole Chicken Wings

3 oz. Butter, unsalted

1 clove Garlic, minced

¼ cup Buffalo Sauce, Honey Mustard or Teriyaki Sauce

½ tsp. Salt (Kosher is available)

Directions

Place a 6 qt. saucepan with a steamer basket with 1 inch of water in the bottom over high heat, cover, and bring to a boil. Remove the tips of the wings. Using kitchen shears or a knife, separate the wings at the joint. Place the wings into the steamer basket, cover, reduce the heat to medium. Steam for 10 min. Remove the wings from the basket and carefully pat dry. Lay the wings out on a cooling rack set in a half sheet pan lined with paper towels and place in the refrigerator for 1 hour.

Preheat oven to 425°. Replace the paper towels with parchment paper. Roast wings on the middle rack of the oven for 20 min. Turn the wings over and cook another 20 minutes or until meat is cooked through and the skin is golden brown. Melt butter in a bowl with garlic. Pour this along with your sauce and salt into a large bowl. Add wings into the bowl and toss with sauce.

Investment Answers News

Welcome to 2017, friends! We hope that the New Year has brought you many good tidings. However, we do know how difficult the holiday season can be, and many of you or your loved ones may be dealing with challenges to health, finances, or family. We want you to know that we are here as a resource to you and your loved ones. We're only one call away, and we are your financial advocate, available to answer your questions and provide you with resources.

Are you thinking about retiring or starting to take Social Security? Those are things you can do without consulting a CFP® professional, but why would you? Income planning is one of the things that we do best, and we are here to help leverage your lifetime income benefits for your greatest advantage.

Please remember as inclement weather increases this winter, reviewing your existing needs and your existing Life Insurance coverages are absolutely essential. There are wonderful resources that we have to consolidate your multiple existing Life Insurances to help provide coverage that reflects your existing needs. Do you have children and grandchildren that need more appropriate Life Insurance coverage? It's absolutely necessary for most people to insure their income and reduce their taxes once they have a family. We're here to help.

Required Minimum Distributions

Most holders of retirement accounts must start withdrawing money at age 70½. The amount you are required to withdraw is called a required minimum distribution (RMD). Generally speaking, the RMD applies to all retirement funds except Roth IRAs and employer plans like a 401(k) plan for those still working at age 70½. Once you retire after age 70½, you must begin taking your RMD from those plans as well.

If you fail to withdraw your RMD, the IRS will impose an excess accumulation tax, which equals 50% of the RMD you failed to withdraw. To avoid the excess accumulation tax, follow these steps:

✔ Determine whether you're required to take an RMD.

✔ Identify all your retirement accounts.

✔ Calculate your RMD. Your total account balance as of the preceding year is divided by your life expectancy.

✔ Create a withdrawal plan. You can group your retirement plans by account type and take a single distribution.

✔ **Perform a year-end checkup.** Make sure you've identified all your accounts, calculated your RMD accurately, and distributions have been taken. ❍❍❍