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THIRD QUARTER 2017 NEWSLETTER

Your Guide to Retirement and Personal Planning

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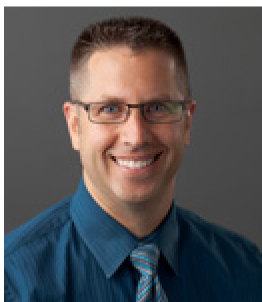

I hope you find these articles to be of interest. If you have questions regarding your account, please feel free to give me a call or send me an email.

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When on the Internet, You May Never Really Be Alone

Earlier this year, Congress passed a bill to overturn an Obama-era rule that would limit what Internet service providers (ISPs) could do with personal user data that is collected online. The legislation raises questions and concerns about how consumers will be affected and what individuals might do to protect their privacy.

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Investing for retirement is a lifelong endeavor that ideally starts in young adulthood and remains a healthy habit throughout your working years.

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Have You Reviewed Your Life Insurance Recently?

Life insurance is vital to the well-being of your family but once purchased is often not thought about again.

When on the Internet, You May Never Really Be Alone

Congresss action levels the playing field between ISPs, such as AT&T, Verizon, and Comcast, and Internet companies, such as Google and Facebook.

Congress has given Internet service providers (ISPs) greater freedom to use browsing activity to target advertisements and promotions at customers. The legislation (signed by President Trump on April 3) nullifies a rule that would have forced ISPs to ask for permission before tracking customers and selling their information to advertisers. The now-cancelled rule would also have required ISPs to step-up security measures to help prevent large-scale data breaches similar to those suffered in recent years by Yahoo, Target, and many others.

What's at Stake?

Congress's action levels the playing field between ISPs, such as AT&T, Verizon, and Comcast, and Internet companies, such as Google and Facebook. Historically, Internet companies have had much greater freedom than ISPs with their users' data.

Internet companies have long been collecting and using individuals' personal data to target ads at them. That's why, for example, when you research a particular vacation destination you become much more likely to see travel ads and promotions related to that destination. Now ISPs will most likely be doing more of the same.

Protecting Your Privacy

Many web browsers today have settings that allow you to conceal at least part of your web browsing activity. They can block cookies and limit websites' access to your browsing history. But web trackers are developing more sophisticated tools to monitor consumers' activity, so they can often track you even if there are no cookies to detect.

With that in mind, here are a few suggestions that could potentially help strengthen your privacy practices:

- Consider using a virtual private network (VPN) service. A VPN creates a secure, encrypted connection for data leaving your device that makes it difficult for third parties such as ISPs to monitor the content of the traffic.
- Standard ad industry opt-outs can be effective for declining ads targeted based on web surfing. If you see a triangle "I" on a banner ad, the company is offering you an opt-out.
- "Do Not Track" feature -- Web browsers may include some type of Do Not Track setting that lets you tell websites you visit, their advertisers, and content providers that you don't want your browsing behavior tracked. Selecting this setting does not guarantee that the websites you visit will honor your request. It just lets them know of your wishes.
- Use the "Limit Ad Tracking" feature on your smartphone. Generally these types of settings help users to opt out of targeted ads, but again, there is no guarantee that your data will remain private.

Finally, remember that you may have two ISPs, the company that provides broadband in your home and the company that provides wireless service to your smartphone. You should contact both of them to ask about the types of data they collect. Also ask what their procedures are for opting out of ad-targeting programs.

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Inflation -- The Subtle Thief of Your Purchasing Power

American workers are laboring as diligently as ever, but they have little extra to show for their effort. Combine meager pay increases with the slow but steady effects of inflation, and it is easy to see how families are barely breaking even.

According to Department of Labor statistics, workers have been receiving, on average, 2% pay increases for the past few years.[1] But when you adjust that increase for inflation, what's left it negligible. In April of this year, for instance, inflation-adjusted earnings rose just 0.3% from the previous year. In April 2016, wages rose 1.2% annually after inflation, and in 2015 that figure was double -- at 2.4% -- thanks to near-zero increases in the cost of consumer goods and services at that time.[1]

Ramping Up?

While inflation rose 2.2% in April from a year earlier, policymakers at the Federal Reserve -- the nation's central bank and overseer of our monetary system -- expect price increases to level off at the Fed's annual inflation target of about 2%.[1] Still, with wages following a similar trajectory, workers are left feeling the squeeze in their wallets, despite bigger pay days.

Follow the CPI

The most common measure of inflation is the Consumer Price Index, or CPI. The CPI is based on a monthly survey by the U.S. Bureau of Labor Statistics. It compares current and past prices on a "basket" of common expense categories, including housing, transportation, food, and clothing.

While inflation has been a constant fact of life in the U.S. economy dating back several decades, it can be particularly damaging to retirees, many of whom are living on fixed incomes. For many, Social Security is the only retirement income that increases through cost-of-living adjustments (COLAs) to reflect any increase in the cost of living as measured by the CPI.

It may be easy to overlook inflation when preparing for your financial future. After all, an inflation rate of just 2% to 3% -- which we have been experiencing for the past several decades -- may not seem worth noting, until you consider the impact it can have on your purchasing power over the long term.

Consider that at just a 3% inflation rate, a $100,000 nest egg today would be worth only $73,742 in today's dollars 10 years from now, $54,379 in 20 years, and $40,101 in 30 years.

As you can see from this example, the further away you are from retirement, the more potential inflation has to erode your future purchasing power, and the more important it is for you to choose investments that can potentially help you stay ahead of inflation.

Talk with your financial advisor to learn more about managing the impact of inflation on your investments.

[1]*The Wall Street Journal, "Don't Feel That Pay Raise? Blame Inflation," May 12, 2017.*

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Investing for Retirement: A Marathon, Not a Sprint

Successful investors often begin putting money into an investment account as soon as they start working. If you began investing in your 20s, you may be well on your way to a comfortable retirement.

Let's face it: You can't fund a 20-year retirement in just five years. Investing for retirement takes time, and success requires that you start early and invest appropriately at each stage of your life.

The Early Bird

Successful investors often begin putting money into an investment account as soon as they start working. If you began investing in your 20s, you may be well on your way to a comfortable retirement. By starting to save at the beginning of your career, you have many years to reap the potential benefits of compounding -- the continuing reinvestment of investment earnings. If you're eligible to contribute to a tax-qualified retirement plan at work, you also have the potential advantage of tax-deferred growth of your account assets. And, if your employer matches employee contributions, you'll enjoy the added benefit of "free" money.

When you're just starting out in the work force, you have an important advantage: time. Even though some of your savings may be earmarked for shorter-term goals, such as a down payment on a house or a child's education, your long time horizon for retirement means you may be able to take more risk with your investments. During these early years, you may want to allocate more of your portfolio to investments that have the potential for growth over the long term, such as stocks and stock mutual funds.[1]

Time Is on Your Side

By the time you reach your 30s and 40s, you may have been saving for retirement for several years through your employer's retirement plan, your own individual retirement account, other investments, or a combination of the above. The middle years, when you're generally well-established in your career, are critical to the growth of your retirement assets. Consider contributing the maximum amount you can afford -- or at least as much as your employer will match -- to your account. Now may be the perfect time to increase your contributions.

Maximum growth of your assets should be your goal during the middle years. Since you probably still have quite a few years before you retire, you may want to continue to keep a portion of your portfolio invested in securities, such as stocks, with the potential for higher returns. Historically, over the long term, stocks have always recovered from any decline in value and generally offer the best inflation protection of any investment.[2] However, only you can determine how much investment risk you're comfortable with.

The Home Stretch

By your 50s and 60s, you may have considerable assets in your retirement account. As you get nearer to retirement, you may be concerned with protecting your assets from loss. If you've allocated a sizeable portion of your portfolio to riskier investments such as stocks, you may want to preserve your gains by moving some of your money into potentially less volatile investment types. Your tolerance for risk will help you determine the percentage of your account to allocate to lower risk investments, such as bonds and money market funds.[3]

Stock market fluctuations are not the only risk to your retirement funds. Even modest inflation can significantly reduce your nest egg's buying power in the future. Your savings may have to fund a retirement that lasts for 15, 20, or 30 years. For this reason, during your remaining working years -- and after retirement -- you may want to keep at least a portion of your portfolio invested in stocks, which historically have outpaced inflation.

Your financial professional can help you design an appropriate investment strategy for each stage of your life.

[1]*Investing in stocks involves risks, including loss of principal. Investing in mutual funds involves risk, including loss of principal. Mutual funds are offered and sold by prospectus only. You should carefully consider the investment objectives, risks, expenses and charges of the investment company before you invest. For more complete information about any mutual fund, including risks, charges and expenses, please contact your financial professional to obtain a prospectus. The prospectus contains this and other information. Read it carefully before you invest.*

[2]*Past performance is no guarantee of future performance.*

[3]*An investment in a money market fund is not insured nor guaranteed by the FDIC or any other government agency. Although the fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in the fund.*

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Women, Wealth, and Legacy Planning

Women play a central role in establishing and preserving family wealth -- whether nurturing the values of children, fulfilling charitable goals, or making investment decisions that affect the financial security of themselves or their families. Consider these statistics:[1]

- Women now control more than half of personal wealth in the United States.
- In more than 40% of households, women are the primary breadwinners, up four-fold since 1960.
- 52% of management and professional positions are held by women.

Active participation in wealth management can strengthen women's commitment to protect and grow their assets with the goal of leaving a legacy for their children, their communities, and beyond.

These and other trends magnify the need for women to be involved in, informed about, and comfortable with their role as guardians of family wealth. Active participation in wealth management can strengthen women's commitment to protect and grow their assets with the goal of leaving a legacy for their children, their communities, and beyond.

Best Practices in Legacy Planning

The following strategies may help assure the smooth transfer of your measurable wealth -- and your values surrounding wealth -- to the next generation.

Education leads to confidence. Attaining financial security for you and your heirs typically requires you to accept responsibility for the management of significant investment assets. Whether you are single, married, or a surviving widow, it is in your best interest to obtain as much education as possible about wealth planning, investments, and related matters. Even if you are not directly responsible for making important financial decisions, it is vital to have knowledge in these areas in order to communicate effectively with professional advisors charged with these duties.

Professionals offer objective, qualified services. Relying on professional advice as opposed to family and friends is extremely important when making decisions affecting the accumulation, preservation, and distribution of wealth. What should you expect from a qualified professional? A good wealth advisor -- or a team with other professionals, such as attorneys and accountants -- should offer guidance and services in most areas of wealth management, including estate planning, retirement planning, insurance needs assessment, and college planning. On a more personal note, a wealth advisor should work closely with you to:

- Identify areas requiring special assistance, such as creating trusts.
- Minimize taxes and planning costs.
- Develop and implement a personalized wealth management plan.
- Review your plan periodically and suggest changes when needed.

Philanthropy is integral to family legacy planning. Wealth holders have a greater opportunity -- if not responsibility -- to make charitable giving an integral part of the legacy planning process. Families that are charitably inclined may have clear goals in mind, but they may not know where to begin. In order to choose the best strategy, you should work with a trusted advisor to evaluate a number of factors, such as tax management objectives, types of assets to be gifted, and your specific strategic intent. Then choose from among a range of charitable-giving vehicles, such as donor-advised funds, family foundations, gift annuities, and charitable remainder trusts/charitable lead trusts.

Children should learn about the responsibilities of wealth. Wealth is a gift that opens doors of opportunity not only for you but also for your children, their children, and generations to come. Yet wealth can be a weighty responsibility that takes time to manage, maintain, and preserve. If you are a parent, you are no doubt concerned about the effects of wealth on your children's values and how the money lessons you pass on to them will resonate as they mature to adulthood.

Family values should be held in the same high regard as family wealth. Family values -- those traits, beliefs, goals, and morals that are shared by members of a family group -- define a family's character as much as dollar signs measure a family's wealth. By holding shared values in high regard and setting an example of commitment to financial responsibility, philanthropy, and volunteerism for the younger generation, you will enrich your family's legacy for generations to come.

A Woman's Worth

As stewards of the family legacy, women are in a unique and influential position. They are holders of great wealth as well as keepers of the family's moral and philanthropic vision. There are many financial, accounting, legal, and business tools to assist women in implementing a plan of action. Contact a financial advisor for

guidance in mapping out a legacy planning strategy unique to your situation.

This information is not intended as legal or tax advice and should not be treated as such. You should contact your estate planning and/or tax professional to discuss your personal situation.

[1]*BMO Wealth Institute, Financial Concerns of Women, April 2, 2015.*

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Have You Reviewed Your Life Insurance Recently?

Conducting an annual review of your insurance needs can help determine whether your existing coverage is still adequate and can help identify the areas that may need further attention.

Many people follow the performance of their investment portfolios like a hawk, keeping track of even the slightest movement up or down. However, typically, the same cannot be said of their life insurance policies.

There are many different life experiences that may affect ongoing insurance needs and decisions. These may include:

- Management of estate expenses
- A change in marital status
- Birth of a child, or an adult child moving out of the home.
- Transfer of a business interest ("buy-sell" arrangements)

Unfortunately, many people don't take the time to review or revisit their life insurance policies after buying them, assuming they can literally put their life insurance "on the shelf" and forget about it. But doing so can be costly both in terms of lost money and lost opportunity.

Conducting an annual review of your insurance needs can help determine whether your existing coverage is still adequate and can help identify the areas that may need further attention.

As part of your annual financial review for 2017, consider assessing three key aspects of your life insurance policies:

- Intention -- Why did you originally buy the policies, and have your circumstances changed since then in ways that might change your life insurance needs?
- Ownership and beneficiary designations -- In whose names are the policies titled, and who have you listed as the beneficiaries? Changes in family circumstances often necessitate policy updates in these areas.
- A better deal? -- A life insurance review may reveal opportunities where you could obtain the same amount of coverage for less money, or more coverage for the same premium you're paying now.

Similarly, life insurance experts suggest that there are generally three categories of individuals who may benefit most from a life insurance review:

Young and just starting out: In the case of your untimely death, life insurance can help your family meet short-term needs such as paying funeral expenses, medical bills, legal fees, and any outstanding debts you may have left behind. Over the long term, insurance proceeds can be used for ongoing priorities, such as rent or mortgage payments, child care, routine household expenses, and education expenses. Generally speaking, life insurance is cheaper and more easily obtained at younger ages.

The middle years/empty-nesters: It's a common misconception that only people with young children and no savings need life insurance. Even if your children are grown up and financially self-reliant, life insurance may still be an important part of your financial strategy. A widow, widower, other loved one could be reliant on financial support from you. Also, life insurance can help you accomplish a number of estate planning goals.

Business owners: The loss of a key employee, such as a chief executive, can be devastating to small businesses. For this reason, life insurance is commonly employed as the funding mechanism in "buy-sell" agreements -- legal arrangements providing for an orderly transfer of ownership interests -- and to compensate for the loss of critical personnel. Life insurance can also be used as a supplemental benefit to retain or attract key employees and executives.

Contact your financial advisor to conduct an annual insurance review or to learn more about the uses and benefits of life insurance at every stage of life.

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