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JOHNSON · STIVENDER

WEALTH ADVISORS

Here's to a Summer of Clear Skies and Clear Goals

The change of season makes for a great time to take a breath, reflect on your progress and set new goals.

The beaches are filling up and the days are getting longer, giving you space to take a breath, reflect on your progress and set new goals. You'll also want to take stock of any recent life changes that may affect your estate plan, benefits and insurance and adjust as needed.

Summer 2019 Market Closures

Thursday, July 4: Independence Day
Monday, September 2: Labor Day

Mark Your Calendar

Friday, August 2: Observe Information Security Day – update your passwords for all online accounts to keep your personal information secure.

Planning To-Do's

- **Conduct a midyear checkup:** Look back on your to-do list progress, make sure your retirement plan is on track, determine if your emergency fund is adequate, and establish a regular savings plan you can stick to each month.
- **Register with SSA.gov:** Check your earnings history for accuracy and review your expected benefits. If you're close to retirement age, discuss with your advisor when and how you should file to maximize your benefits.
- **Update your estate plan:** Check the beneficiaries of your IRAs, insurance policies, trusts and any other accounts, and update information that is no longer relevant. Ensure your plan protects you and your family in the case of an unexpected event.
- **Assess insurance needs:** Periodically review and update coverage to help ensure proper protection.
- **Adjust as life changes:** Speak with your advisor about major life changes you've experienced and how your financial plan could be affected. These changes include marriages, births, deaths, divorces, a sudden windfall and more.
- **Plan a family meeting:** Use the opportunity to talk about "big" things, like your philanthropic legacy, as well as simpler things – like the menu for the next holiday dinner.
- **Never stop learning:** Websites like EdX and Coursera offer free online classes in a range of topics.
- Talk with your advisor to help ensure you don't miss any important financial planning dates this summer.

Summer Edition
July 2019

HOLIDAY OFFICE CLOSURE NOTICE

July 4th-5th: Independence Day

September 2nd: Labor Day

In This Issue:

- **Setting Goals**
- Taking Chances
- Disaster Preparedness
- Office Update

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How Much “Chance” to Assign to Your Future

Does anyone care to get struck by lightning? I’ll guess not, but did you know that your odds of getting struck by lightning in the U.S. are about 417 times greater than winning the lottery jackpot and I’ll assume some of you have played the lottery this year? If you desire to take a chance on winning a $100 million lottery jackpot, the odds are something like 1:292,000,000. However, many of us take that ridiculous chance because the consequence of not winning costs us a measured degree of speculation of only two dollars. There is a measured degree of speculation or chance to nearly everything we do, including how we construct our investment portfolios. Are you willing to bet 55% or even 36% of your hard-earned investment portfolio on where we are in this economic cycle? What are the consequences of our decisions?

The fixed income allocation of a portfolio is often designed to protect principal, not necessarily generate growth. It’s sort of a boring necessity that isn’t exciting or even fun to construct, but nonetheless the foothold for portfolio stability. It is far more stimulating to invest in assets geared to expanding our wealth versus preserving our wealth. We find ourselves in a market environment filled with uncertainty. My hope is to emphasize the basic benefit of preservation of capital: let’s not lose what we’ve worked so hard to make and grow. During the last recession, equities lost 36.3% of their value and lost 54.9% over the last entire bear market. Of course, we don’t know exactly when the next recession (or bear market) will be or if equities will lose as much value. No one knows whether we are at the economic cycle’s end or not, but there are quality arguments that suggest we could be. Maybe in 18 months? 12 months? Perhaps within 6 months?

Interest rates continue to plummet and the 3-month T-Bill remains inverted to the 10 year Treasury. Finding yield is difficult and the thought of settling for 2.00% yields starts discussions of asset class alternatives. For example, why settle for 2.00% when a 4.00% dividend paying stock exists? This appeal hinges on a stock’s price remaining constant or increasing. Is this an appropriate time to put principal at risk? That is a very individualized question with no right answer. There are individuals that think the economy is in better shape than is being scripted while others claim we are in increased economic uncertainty and even a declining productive state. Perhaps this divergence in opinion is enough to create pause?

Say you choose to invest in a 4.00% dividend paying stock rather than the 2.00% bond. On $100,000 that’s an extra $2,000 income per year. But what if things go wrong? What if we go into a recession? According to Bloomberg articles, Stanley Druckenmiller moved to a risk off trade and bought a bunch of Treasuries and Jeffrey Gundlach puts a recession as a 50-50 probability in the next 12 months. These are some well-respected and household financial names thinking the cycle is ending and committing to caution. Let’s say a recession does occur and you lose between 36.3% and 54.9% of your equity value. The potential higher $2,000 in income may be accorded with a loss in principal of $36,300 to $54,900 should the market fair like it did in the previous bear market. Will the dividend continue during a recession? Who knows? Is the measured degree of speculation providing sufficient reward to offset the potential downside? The bond (baring an outright default) will continue to pay its coupon.

During the 2 previous recessions, interest rates declined so if that repeated, the bond price would rise in value providing a positive total return. More importantly, the principal invested stays intact regardless of interest rate movement. When the bond matures, the entire face value is returned, ready to be reinvested.

Maintain appropriate allocations to fixed income. Don’t “chance” the wealth you want to keep. Misreading the market’s economic cycle position can create catastrophic consequences. Although a 2.00% 10-year U.S. Treasury bond epitomizes a low interest rate environment, it boasts a significant advantage to many global economic powers (i.e. 234bp higher versus Germany’s 10yr). How aggressive or conservative you decide to be with your equity portfolio allocation during this uncertain economic period may have a significant effect on the portfolio’s net worth. Be cautious and measure any “chance” against the possible consequences, good or bad.

Before Natural Disaster Strikes

Preparing for an unexpected storm or fire can help protect both your personal and financial well-being. Consider these recommendations for protecting important documents and making a swift, safe evacuation.

Saving Your Documents

If a fire, hurricane or other natural disaster occurs, the documents needed to rebuild your life should either be with you or stored somewhere safely out of harm's way. Waterproof, fireproof safes offer protection for your most important items, offering a level of security in the event of a last-minute evacuation. For disasters that can be forecasted further in advance (think weather-related events like hurricanes), consider taking important papers with you. When choosing which documents to bring, consider:

- Identification: passports, immigration papers, military discharge papers, immunization records, Social Security cards
- Family records and certificates: birth, adoption, marriage, divorce, death
- Home and vehicle: deeds, titles, registration, loan papers
- Planning documents: wills, trusts, powers of attorney, healthcare directives
- Insurance information: health, life, home, vehicle

While many of these documents can be replaced, keeping them safe will make insurance claims and other recovery activities easier. Consider placing them in a three-ring binder with pockets for easy portability, and store within a water-resistant bag.

Preparing Your Emergency Bag

Proponents of preparedness recommend keeping a small bag packed with essentials for a quick escape. Your emergency bag should remain ready to go at all times, perfect for an unanticipated evacuation. Your water-resistant duffel bag or knapsack can include items such as:

- Your documents binder
- Photos or video of your property for later insurance claims
- Safe deposit box key, if applicable
- Notepad and pen
- Flashlight
- Small first-aid kit
- Bottled water and nonperishable snacks
- Extra resealable bags

An additional "quick grab" list will ensure you won't forget items that would be inconvenient to keep in your emergency bag at all times. Examples include:

- Backup of your computer, especially if it stores personal information
- Cash for food and gas, as ATMs may not be in service
- Required medications
- Phone or tablet and charger

Depending on the type of natural hazards your area is prone to, additional provisions might be needed. But regardless of the particular peril, undertaking these precautions can provide a greater sense of security and preparedness in the face of an unexpected disaster.

On a Personal Note

Our Paint & Sip event was a success!

Thank you to everyone who participated.

Schedule of Events to come for 2019

Look for our Save-The-Date notices for cookouts and fun to come later this summer!

If you have a suggestion for an event we would love to hear it.