SOUNDSIDE
WEALTH ADVISORS

Soundings

What's New – November 2017

Quote of the month:

"What we think, or what we know, or what we believe is, in the end, of little consequence. The only consequence is what we do." John Ruskin

Great words from a man also unfortunately known for the epic fail on his wedding night…google it if you care. Timeless sage, Yoda, put it another way. "Do or not do. There is no try."

The year's 10th month has its own moniker. October Effect. From the panic of 1907, Black Tuesday and Thursday of 1929, to Black Monday of 1987, Halloween isn't the only reason my son's birth month is notable. Other than September, seasonally speaking, October is the most feared 31 days of the year. But like the imaginary "under the bed monster", this year, the danger was all in our heads. When the sun rose on November 1st, the financial markets had put out a heck of a performance. The S&P 500, proxy for the US stock market, racked up a gain of over 2%. The international markets, measured by the EAFE index added another 1.1%. The main negative out there is the fact that volatility has been so low. If the trend continues and we make it to November 10th without a 3% correction, it will be the longest time in history without such an occurrence.

So where do we go from here? Oh, if only we could know, although if you really think about it, it would probably take away most of the fun. Another question…is it time to retire? In this month's ***Market & Economic Commentary,*** I've placed a piece titled, "6 Signs Clients are Ready to Retire Early." Everyone is different and for the record, I'm never calling it quits…not enough hobbies. That said, the author makes some interesting points and it's definitely worth a read. First, the numbers…

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Market Update – Year to Date Returns

Major Stock Indexes	(As of 11/1/2017)*
Dow Jones Industrials	18.3%
S&P 500 Index	15.0%
NASDAQ	24.9%
DJ Global ex US	21.0%
Russell 2000 (small cap index)	10.7%
XAU (gold/silver)	2.9%
Major Bond Indexes	
Broad Market – Barclays Capital Aggregate	3.2%
High Yield Corporate - Barclays Capital	6.7%
Municipal Bond - Barclays Capital	4.6%
Lipper Mutual Fund Categories	
Large Cap Growth	28.3%
Large Cap Value	10.9%
Small Cap Growth	20.1%
Small Cap Value	7.0%
International	23.9%
Balanced Fund	11.5%
US Govt Bond	1.9%
Corporate A-Rated Bond	5.2%

*** Source: The Wall Street Journal**

Other Disclosures

- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect investment performance. Individual investor's results will vary. The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the US stock market. The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ market. The Russell 2000 index is an unmanaged index of small cap which generally involve greater risks. The Dow Jones Industrial Average (DJIA), commonly known as the "Dow", is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. The DJ Global ex US is an unmanaged group of non U.S. securities designed to reflect the performance of the global equity securities that have readily available prices. The MSCI EAFE(Europe, Australasia, and Far East) is a free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. The EAFE consists of the country indices of 22 developed nations.
- Lipper Indexes are based on the largest funds within the same investment objective and do not include multiple share classes of similar funds. Barclays Bond Indexes are designed to measure the market performance of various fixed income asset classes. The Philadelphia Gold and Silver Index (XAU) is an index of sixteen precious metal mining companies that is traded on the Philadelphia Stock Exchange. The information contained in this report does not purport to be a complete description if the securities, markets, or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any opinions are those of Jon Kagan and not necessarily those of RJFS or Raymond James Financial. Expressions of opinion are as of this date and are subject to change without notice. This information is not intended as a solicitation or an offer to buy or sell any security referred herein. There is no assurance any of the trends mentioned will continue in the future. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. Past performance may not be indicative of future results. Asset allocation does not guarantee a profit nor protect against loss. The process of rebalancing may result in tax consequences.
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Market & Economic Commentary

Nearly all young and middle-aged clients have asked themselves the same question at one point or another: Should I quit this job and retire early? Clients can enjoy their later years without the worries of work, but will also lose the additional earnings. Here are six signs to determine if clients might be ready for an early retirement.

DEBTS ARE PAID OFF. Mortgages must be paid off and client cannot have any outstanding loans, credit lines, or large credit card balances. Obviously, clients will likely not be able to afford making large payments during retirement. Free of debt, clients' retirement income will be available for expenditure — and free to use in the event of an emergency — rather than having it tied up in paying off large bills.

SAVINGS EXCEED RETIREMENT GOALS. Another good sign a client can take early retirement is if they have met or exceeded their retirement savings goals. Advisors should recalculate the length of their clients' savings, including these additional years. Also, depending on age, clients may not yet be eligible for Social Security or Medicare. "Think 'Rule 25.' Prepare to have 25 times the value of your annual expenses," says Max Osbon, partner at Osbon Capital Management in Boston. "Why 25? It's the inverse of 4%. At that point, you only need to achieve a 4% return per year to cover your annual expenses in perpetuity."

PLANS DON'T HAVE EARLY WITHDRAWAL PENALTY. No one likes to pay unnecessary penalties, and early retirees going to a fixed income are no different. There's good news for wannabe early retirees with 401(k)s. If a client continues working for the employer until 55 (or after), the IRS will allow a withdrawal from only that employer's 401(k) without penalty. "There is a caution, however: If an employee retires before age 55, the early retirement provision is lost, and the 10% penalty will be incurred for withdrawals before age 59-1/2," says James Twining, founder and CEO of Financial Plan in Bellingham, Washington.

HEALTHCARE IS COVERED. Healthcare can be incredibly costly, and early retirees should have a plan in place to cover health costs during the years after retiring and before becoming eligible for Medicare at age 65. If clients have coverage through a spouse's plan, or can continue to get coverage through a former employer, this is another sign that early retirement could be a possibility. Another option is to purchase private health insurance. Health Savings Accounts can use tax-free distributions to pay for out-of-pocket qualified medical expenses no matter what age. It is too early to say how health insurance and its costs will change and how affordable private healthcare will soon be, but keep in mind that COBRA may extend healthcare coverage after leaving the workforce.

LIVE REASONABLY ON RETIREMENT BUDGET. Clients should practice sticking to their retirement income budget for at least several months. If they don't, they may be in for a shock. "Humans do not like change, and it is hard to break old habits once we have become accustomed to them. By 'road-testing' your retirement budget, you are essentially teaching yourself to develop daily habits around what you can afford in retirement," says Mark Hebner, founder and president of Index Fund Advisors in Irvine, California.

PLAN OR PROJECT FOR RETIREMENT. Leaving work early to spend long days with nothing to do sounds like the ultimate vacation, but could lead to an unhappy early retirement. Tell clients to think about having a defined travel, hobby or part-time employment plan. Perhaps clients replace sales meetings with a weekly golf outing, or volunteering, and add daily walks or trips to the gym.

BOTTOM LINE. When it comes to deciding if clients should retire early, there are several signs. Becoming debt-free, with a healthy retirement account, is an essential first step for clients thinking about early retirement. If client can withdraw from retirement accounts without penalty, and get access to affordable healthcare coverage until Medicare kicks in, are other important signs. The best way to be sure clients can successfully make the transition is with a robust financial plan. **Sarita Harbour, 6 Signs Clients are Ready to Retire Early, Investopedia, November 3, 2017**

On a Personal Note

My first born had a big month. His personal odometer rolled past 22; he hosted his parents in Tuscaloosa for homecoming weekend; and he even snuck in a quick trip with friends to the great city of Atlanta. Reaching twenty-two proved anticlimactic. No major milestone like getting your learner's permit or ditching the fake id. Just another year older, or as the folks from the legendary band Pink Floyd masterfully penned, "the sun is the same in a relative way but you're older, shorter of breath and one day closer to death." Huffing and puffing aside, we had an excellent time in T-Town. Alex was a wonderful host. This was our first visit since he'd turned 21, so he was able to take us to some of the more festive spots on the strip. A senior, the lad has come a long way in the 3 plus years since we pulled out of the parking lot, teary-eyed the lot of us, and left him to figure things out in his new home. It was really something to kick back and let the young man entertain us. If you've never been to Tuscaloosa on a gameday, it is an absolute spectacle. Folks of all ages, ethnic, and socioeconomic backgrounds, take this stuff massively seriously. We approached the legendary Bryant-Denny Stadium and realized we needed a picture of what would likely be our last football game until we come up to visit our grandkids in the wayyy distant future. As Kathleen and Alex pensively scanned the crowd for a potential photographer, I grabbed the iPhone camera and hit up the first person who approached, a well-dressed, upper middle-aged man. The deed complete, Alex, a bit star-struck, said, "dad do you realize that was Dr. Grady, Director of Student Life?" Turned out he was also a patient photographer. For those that follow college football, the Crimson Tide has had a spectacular year. The games have typically been one-sided routs that almost make you feel bad for the other side. The homecoming game was more of the same. As far as suspense goes, Alabama denied us and took care of Arkansas 41-9.

Meanwhile, on the Space Coast. Collin is a finance major but he's actually very "right" brained. He has quite a penchant for photography and one of the items on his bucket list was to go see a rocket launch. Thanks to Elon Musk, mission accomplished. A few weeks back, he packed his trusty Saturn station wagon and hit the road to the beach of Playa Linda, the closest public spot to get a good view. Now if it were easy, everyone would do it. First challenge posed by this remote location was the mosquitoes. The Navy Seal of the insect world, these monsters who gargle with DEET, jumped the moment the youngins' disembarked from the safety of the trusty Saturn. After a two mile trek, they finally got to the DMZ, marked by local Park Rangers. The camera was set up and the waiting commenced. Suddenly, right on time at 6:51, they heard the rumble and felt the ground shake as the SpaceX rocket lifted off and into the atmosphere. It's destination, the International Space Station. Paired with an amazing sunset, it made for some great pictures, and even better memories.

As squared-away as your kids might be, so much of their potential success rests in their choice of friends. Kathleen and I were very lucky in this department. For the most part, our boys chose well. At the University of Central Florida, Collin is living with a bunch of fellow business majors. A couple are from the area but the other three came down to the luck of the draw. One of those is a young man named Praveen. He is a very special kid and has had quite an influence on my son. Full disclosure, as payment for their small amount of monthly "daddy" welfare, I have my boys provide me with a written highlight of their month both for them to get in the habit of journaling, and so I can chronicle their progress for you. These are Collin's word's regarding his mentor and friend who just landed an investment banking internship at Guggenheim, a prestigious firm based in the Big Apple, and will sit for level one of the CFA (Chartered Financial Analyst) exam this December. "I have never seen someone so motivated to kick #ss in any field, and he motivates me every day to be on his level. Praveen will no doubt be a millionaire, the question is how soon!" Thanks Collin, and thank you Praveen. Me and Yoda are very proud of you both.

As always, I hope you're enjoying each day as it comes.

Warmest regards, *Jon*

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