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Financial Briefs

MARCH 2019

Get These Decisions Right

The sheer number of financial decisions required to manage our finances can seem overwhelming. But often we spend an inordinate amount of time on small stuff — getting the bills paid on time, reconciling bank accounts, and calling to have a late charge waived. While those things need to get done, how do we judge whether we're headed on the right course? There are six basic financial decisions that can determine the course of your financial life:

1. How you earn a living. Sure, we all want to enjoy our work. But why not choose a job that will pay more than another? Your income is going to drive all your other decisions, so investigate your options:

- Are you sure you're being paid a competitive wage with competitive benefits? Pay attention to what is going on in your field.
- Do you have an outside interest or hobby that can be turned into a paying job? This could be a good way to supplement your current salary.
- Can you get some additional training to help secure a promotion or qualify for another job? Read up on what jobs are expected to experience the highest growth rates and/or highest salaries over the next five years.

2. How you spend your income. The amount of money left over for saving is a direct result of your lifestyle choices, so learn to live within your means. To get a grip on spending, consider these tips:

- Analyze your spending for a month. In which categories do you spend more than you expected? Give serious thought to your purchasing patterns, trying to find ways to reduce spending.
- One of the most significant spending decisions will be your home. Many people purchase the largest home they can afford, often straining their budget.

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Preventing Identity Theft

It's a common assumption that most identity thefts occur as a result of Internet usage. But online problems typically result from the user's carelessness — responding to an email message asking for financial information or clicking on links in an email message. A far greater percentage of identity thefts occur as a result of a lost wallet or stolen mail.

Armed with your name, Social Security number, and birthdate, thieves can obtain credit cards, get loans, purchase a car, or apply for a job in your name. This information can be obtained from a variety of places. Many people get checks printed with their Social Security number, driver's license number, and birthdate. Mail theft frequently results in something with a Social Security number. Calls to credit bureaus, posing as prospective landlords, employers, or lenders, often yield information. Computer-literate thieves can find many ways to garner information over the Internet.

While you typically aren't responsible for anything charged by an identity thief, you will have to work to restore your credit and close all fraudulent accounts. That can be time-consuming and expensive. If you are a victim of identity theft, inform the three major credit bureaus so a fraud alert can be placed on your account. That way, no new credit will be issued without first contacting you. Also file a police report in case a creditor wants proof of the crime. Make sure to report the theft on the Federal Trade Commission's website at ftc.gov/idtheft, which advises many companies and organizations about the theft, and includes pertinent forms.

To help prevent your identity

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Get These Decisions

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Purchasing a smaller home will reduce your mortgage payment as well as other costs.
- Prepare a budget to guide your spending. Few people enjoy setting or sticking to a budget, but inefficient and wasted expenditures can be major impediments to accomplishing your financial goals.

3. How much you save. You should be saving a minimum of 10% of your gross income. But don't just rely on that rule of thumb. Calculate how much you'll need to meet your financial goals and how much you should be saving on an annual basis. If you can't seem to save that much, go back to your spending analysis and cut spending.

4. How you invest. The ultimate size of your portfolio is a function of two factors — how much you save and how much you earn on those savings. Even small differences in return can significantly impact your investment portfolio. Typically, investments with potentially higher rates of return have more volatility than those with lower rates of return. While you don't want to take on excessive risk, you also don't want to leave all your savings in investments with little growth potential. Your portfolio should contain a diversified mix of investment categories based on your return expectations, risk tolerance, and time horizon for investing.

5. How you manage debt. Before you take on debt, consider the effect it will have on your long-term goals. If you are already having trouble finding money to save, additional debt will make it even more difficult. To keep your debt in check, consider these tips:
- Mortgage debt is acceptable as long as you can easily afford the home.
- Be careful about taking equity out of your home in the form of a home-equity loan. You might want to set up a home-equity line of credit for emergency use, but make sure it is only used for emergencies. It may also make sense to use a home-equity loan to pay off higher interest-rate consumer loans, but don't run those balances up again.
- Never purchase items on credit that decrease in value, such as clothing, vacations, food, and entertainment. If you can't pay cash, don't buy them.
- If you must incur debt, borrow wisely. Make as large a down payment as you can. Consider a shorter loan period, even though your payment will be higher. Since interest rates can vary widely, compare loan terms with several lenders. Review all your debt periodically to see if less-expensive options are available.

6. How you prepare for financial emergencies. Making arrangements to handle financial emergencies will help prevent them from adversely affecting your financial goals. Make sure to have:
- An emergency fund covering several months's worth of living expenses. Besides cash, that fund can include readily accessible investments or a line of credit.
- Insurance to cover catastrophes. At a minimum, review your coverage for life, medical, homeowners, auto, disability, and personal liability.
- A power of attorney so someone can step in and take over your finances if you become incapacitated.

Making the correct choices for these six basic financial decisions will help put you on the right financial course. If you'd like help with these decisions, please call.

Loan Carefully

Responding to a request for a loan from family members or friends can be difficult. Often, the reason they're asking is because a bank or other lending source has turned them down, making them a less than ideal credit risk. Consider these points:
- **Make sure the loan won't damage your relationship.** Loaning money can put significant stress on relationships. You may feel uncomfortable asking about missed payments. They may expect you to be more lenient about enforcing repayment terms. And if they can't repay the loan, misunderstandings and resentment can occur on both sides. You don't have to loan, but explain your reasons for not doing so to prevent hurt feelings.
- **Put the arrangement in writing.** If you decide to loan the money, put all terms in writing. You may even want to have a lawyer draw up a formal agreement for significant amounts. With a formal repayment schedule, you may feel more comfortable asking about repayments.
- **Exercise caution before cosigning a loan.** When you cosign a loan, you sign a legal document accepting responsibility for the entire debt. If the primary borrower falls behind in payments, the creditor can come to you immediately looking for payment. The debt will be listed on your credit report, which may impact your ability to obtain another loan.
- **Ask for collateral.** Don't be afraid to ask for a lien on a house or car if you are loaning a significant amount. That way, if the person files bankruptcy, your claim will have precedence over general creditors without liens.
- **Don't keep the loan a secret.** If you make a loan to a family member, inform other close family members of the loan and repayment terms, so they don't feel you are giving preferential treatment.

Identity Theft

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from being stolen, follow these tips:

- **Protect your Social Security number.** This is the primary piece of information needed to steal your identity, so only give it out in situations where it is absolutely required, such as on tax forms, employment records, and for banking, stock, and property transactions. Request a personal identification number for phone access to financial information. Don't print your Social Security number on your checks.
- **Only carry essential items in your wallet or purse.** Don't keep anything showing your Social Security number in your wallet. Memorize your Social Security number, so you don't have to carry your card. Don't keep any passwords in your wallet. Thieves can obtain a great deal of information from checks, so consider not carrying them with you.
- **Check your credit report annually.** All consumers are entitled to one free credit report per year, which can be requested at annualcreditreport.com. Review your credit reports carefully for errors at least annually. It is not uncommon to find information on people with similar names or other family members in a credit file. Make sure you are aware of all accounts listed and that balances are for expected amounts. Check for unfamiliar addresses and inquiries about loans you never applied for. If you find errors, report them immediately in writing. The credit bureau must then investigate the items and resolve those that can't be verified.
- **Carefully share information online.** Never reply to an e-mail message asking for personal financial information. Reputable companies will not request sensitive financial information in this manner. Before giving personal information, review the site's privacy policy, which should tell you how the information will be used and whether the site sells information to third parties. Leave information blank, especially Social Security numbers, if you are uncomfortable providing data.
- **Shred financial information when discarding.** When discarding old tax returns, bank statements, brokerage statements, canceled checks, charge card statements, or any information with account numbers or identifying information, shred the information first. You may also want to shred credit card solicitations so someone doesn't use it without your knowledge.
- **Remove yourself from mailing lists.** Preapproved credit card offers are an easy way for thieves to get credit cards quickly. Credit bureaus often sell lists to companies making these offers. Call the credit agencies and request the removal of your name from these lists.

4 Steps to Create a Budget

A budget shows you where your money is going every month to ensure you are bringing in more than you are spending and saving enough to meet goals. Here are four steps to creating a budget:

1. **Track where your money goes —** You can track your expenses using your bank statements, receipts, or logging it into a journal or smartphone app. Add up the total for each month and then average it out. That will give you a good base to start building a budget you can stick to.
2. **Put your budget on paper —** Once you've tracked your expenses, use a spreadsheet or online/mobile application to put your budget on paper. In the expenses column, include everything you spend money on. In another column, input your income. If you have a salary, you can input how much you receive each paycheck; but if your income varies, you can use the average of the last three months. Subtract expenses from your income to see how much money you have left every month. If you have a negative number, you'll need to make some changes to your budget. If you have a positive number, that can be the amount of money saved each month.
3. **Keep looking for ways to increase your savings —** With essential expenses of fixed amounts, such as your mortgage, taxes, and insurance, you may be able to refinance your mortgage, find strategies to help reduce taxes, or comparison shop insurance to reduce premiums. Essential expenses that vary in amount, such as food, medical care, and utilities, can usually be reduced by altering your spending or living habits. For instance, you can actively shop for food with coupons, exercise to get in better health, or put energy-saving lightbulbs through your house. Discretionary expenses, such as entertainment, dining out, clothing, travel, and charitable contributions typically offer the most potential for spending reductions.
4. **Reevaluate —** It is critical to reevaluate your budget after the first few months to ensure it fits your needs and goals. If you find you are continuously spending more money than budgeted for necessities, adjust your budget. Once you get past the first few months with a new budget, reevaluate every six months or as needed.

Having a budget is key to saving money. Without one, it is easy to spend money blindly. Please call if you'd like to discuss this in more detail.

Business Data

Indicator	Month-end Dec-18	Jan-19	Feb-19	Dec-17	Feb-18
Prime rate	5.50	5.50	5.50	4.50	4.50
3-month T-bill yield	2.47	2.38	2.41	1.45	1.65
10-year T-note yield	2.89	2.75	2.66	2.46	2.87
20-year T-bond yield	3.03	2.91	2.86	2.66	3.03
Dow Jones Corp.	4.40	4.16	4.08	3.13	3.63
GDP (adj. annual rate)#	+4.20	+3.40	+2.60	+2.90	+3.20

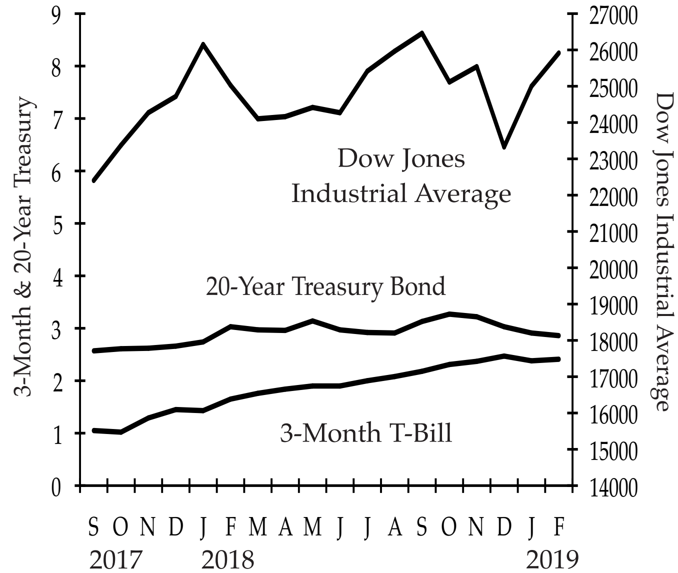
Indicator	Month-end Dec-18	Jan-19	Feb-19	% Change YTD	12-Mon.
Dow Jones Industrials	23327.46	24999.67	25916.00	11.1%	3.5%
Standard & Poor's 500	2506.85	2704.10	2784.49	11.1%	2.6%
Nasdaq Composite	6635.28	7281.74	7532.53	13.5%	3.6%
Gold	1281.65	1323.25	1319.15	2.9%	0.1%
Unemployment rate@	3.70	3.90	4.00	8.1%	-2.4%
Consumer price index@	252.04	251.23	251.71	-0.1%	1.5%

— 2nd, 3rd, 4th quarter @ — Nov, Dec, Jan Sources: *Barron's, Wall Street Journal*

Past performance is not a guarantee of future results.

18-Month Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

September 2017 to February 2019



News and Announcements

Reviewing Legal Documents

Whether this is your first, second, or subsequent marriage, take a look at major legal documents to see if changes are needed. Even if you've been married for a while, it's not a bad idea to review these documents:

- **Estate-planning documents** — If this is your first marriage, you may not even have estate-planning documents. In that case, at least prepare a will and durable power of attorney, so that state laws won't dictate how your estate is distributed. For those entering a subsequent marriage or with children, thoroughly review your estate-planning documents. Changes may be needed to provide for your spouse while also protecting your children, which could involve setting up trusts. Review your estate planning documents every couple of years.
- **Asset ownership** — Review how assets are titled to ensure they are consistent with your estate-planning goals. If assets are owned jointly with rights of survivorship, that will take precedence over any provisions in estate-planning documents. Typically, a home, bank accounts, and brokerage accounts will be owned jointly.
- **Assets with beneficiaries** — These assets would include life insurance policies, retirement plans, and individual retirement accounts (IRAs). For assets with named beneficiaries, these designations will take precedence over estate-planning documents.
- **Business arrangements** — If you are a partial owner of a business, review any agreements dealing with what happens to the business if you die or sell your interest. The agreement may need to be changed to allow your spouse to continue ownership after your death or for him/her to become involved in the business.

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