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SENIORS/BOOMERS NEWSLETTER

'the retirement experts'

April 2015

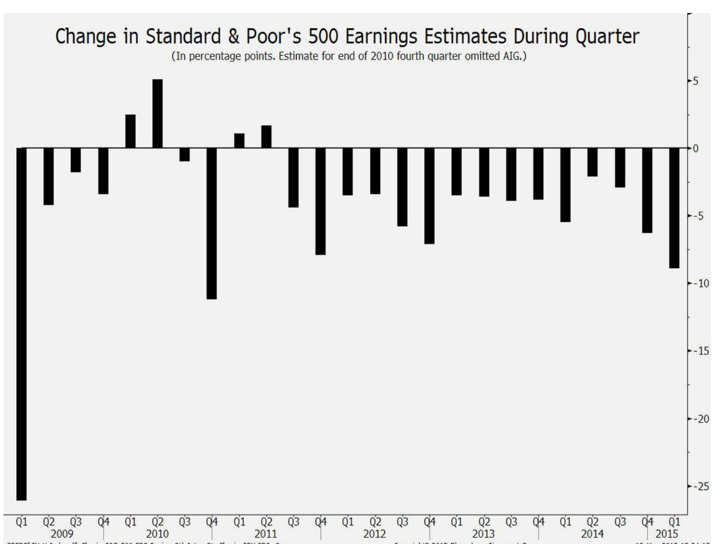
Eskimo to a NYC reporter : " We recognize many kinds of snow. There's deep, really deep, where the hell's my igloo deep".... satz

Aren't we all happy it's finally April? Winters like this last one cannot become a memory fast enough!

Going into spring, and looking ahead at the S&P 500 profit picture, we'll get a look at how the strong dollar, anemic global growth and low energy prices will affect earnings for the first quarter.

Currently analysts are anticipating a drop of almost 9% in first-quarter earnings. Late last year the 2015 earnings estimate was for $134/share on the S&P. Now, they are predicting $120/share....which is only 1.6% greater than all of 2014.

The chart below clearly illustrates what's been going on for the past six years on the earnings front.



In fact, over the past three years alone, the S&P 500 earnings have grown 5.4%/year while the benchmark has had an annualized return of 20.4%. If we go back to 2006, operating earnings have grown 3.2% per annum, whereas the market returns have averaged about 7%/year.

These numbers represent a bit of a disconnect, which is why it is becoming more and more difficult to find bargain stocks to buy. There just aren't very many out there.

The other thing I'd like to mention here is the importance of looking at trailing earnings...not forward. The forward variety invariably tend to be too optimistic. Trailing earnings are actuals.

The chart below will give you the actual P/E ratios over the past 65 years and is based on actual earnings for each period. It also shows that the current P/E ratio is trending on the high side.

Chart 2: Median price/earnings multiple for U.S. stocks*
*Based on all NYSE stocks with positive earnings for the last fiscal year calculated in June of each year since 1951 through 2014

Notwithstanding the fact that forward earnings tend not to be very accurate, you can see from this next chart that those elevated earnings are actually below the actual market price...which also shows why it's hard to find a bargain these days!

(What follows is an article written by Donald Jay Korn for FINANCIAL PLANNING magazine).

With Fewer Pensions, Deferred Income Annuities Gain Ground

by Donald Jay Korn
MAR 30, 2015

In 2012, deferred income annuities (DIAs) were offered by only five or six insurance companies, according to Jafor Iqbal, assistant vice president at LIMRA Secure Retirement Institute. "Total sales were just over $1 billion," he says. By the end of 2014, 15 companies were selling individual DIAs, and sales reached $2.7 billion, Iqbal says.

One reason for DIAs' current popularity is the growing scarcity of traditional pensions, which have long provided retirees with a steady income stream. "Our data show that over half the households with retirees 75 or older have pensions," says Iqbal, "while many fewer households in the 46-54 age range expect to receive pensions."

Ross Goldstein, managing director at New York Life, says that DIAs are gaining ground because they "mirror the pensions" that previous generations enjoyed. "You pay the insurer a premium and pick a future income start date," he says. "You'll know how much you will receive for the rest of your life."

DIAs do have their drawbacks. Payouts generally are not adjusted for inflation, and buyers are reliant upon an insurer's fiscal strength to ensure payment.

WHEN IT PAYS TO WAIT

Iqbal reports that DIA purchasers typically are between the ages of 58 to 63, and tend to wait four to nine years to begin their payments. The longer the waiting period, the greater the promised periodic cash flow. "For example," says Goldstein, "assuming a $100,000 premium and a life-only (not cash refund) DIA, the annual payout to a 60-year-old buyer might be 8.07% with a 5-year deferral and 12.28% with a 10-year deferral."

About 90% of his company's DIAs are purchased with a premium refund option, Goldstein notes. That is, beneficiaries will get a payment if the purchaser of the annuity dies before receiving the amount invested. "Currently," he adds, "a male, age 58, deferring for nine years with a one-time premium payment of $100,000 and electing a cash refund payout option can secure a lifelong income stream of $736 per month: over $8,832 (8.8%) a year."

Other, relatively recent, innovations: Purchasers may be able to pay flexible premiums, rather than a single initial lump sum, says Iqbal. "There is also more flexibility as to when payments will start, and possibly some provision for accelerating payments," he says.

"The guaranteed payouts cannot be replicated on one's own or with any other product," Goldstein says. "If income is your goal, the DIA is the most efficient way to generate income in retirement."

Donald Jay Korn is a Financial Planning contributing writer in New York. He also writes regularly for On Wall Street.

You Could Live to be 100 !

Live to 100. Sounds great. But what are the downsides?

"How can there be downsides?" you may ask. After all, you'd have more time to golf, go fishing, and spend time with the grand kids.

Well, the risk may be that if you hadn't planned to live that long you could end up running out of money.

So how long of a retirement should you plan for? According to the IRS, a 70-year old person is expected to live for 17 more years to age 87. However, this is an average.

Half of the 70-year olds will live longer and half will not. Therefore, a 70-year old individual who is basing his or her retirement plan and spending habits on living to 87 is rolling the dice.

Currently, there are approximately 55,000 centenarians in the U.S., according to the U.S. Census Bureau. That number is projected to grow to 442,000 by 2050.

Furthermore, when you consider that centenarians are the fastest-growing segment of our population, there is reason to take notice. Retirement planning takes on a whole new meaning.

However, planning too conservatively could be detrimental as well. After all, you don't want to cut your standard of living down to the point that you'll be miserable. And of course, you always have the option to make adjustments in your spending as time goes on.

All of this comes down to two simple facts: You can control how long your money will last, but you only have a limited ability to predict how long you will live.

So what can you do to reduce the risk of running out of money too soon? A fixed immediate annuity offers an income that will continue for a lifetime, no matter how long you live. And it will help you plan for the possibility of living to 87, 107, or........ beyond.

The Three Legged Stool of Investing

I've written many times in the past about the importance of working with trailing stop losses. This is Leg #1 of the stool.

Next, I've also stated that risk has to be managed. That is, how much money are you prepared to lose on your stock trade if it goes wrong. Leg #2.

Finally, Leg#3 is making sure you understand what size of position you can take based on how much you're prepared to lose. This is called ***position sizing.***

This may sound complicated, but in fact it's pretty simple math. Here goes:

PORTFOLIO SIZE:	$300,000
MAX ACCEPTABLE LOSS:	$3,000
(this is 1% of your portfolio)	
TRAILING STOP LOSS:	15%
STOCK PRICE:	$50/share

The formula.....

Max acceptable loss / Stop loss = Position size.

So, $3000 / 15% = $20,000.

What this means is that you place a trade for the stock you want for 400 shares = ($20,000 / $50 per share)

That's all there is to it. Just remember, you want to keep risk to the 'sleep at night' variety. If you follow these three legs (rules) that should keep you peaceful as a baby.

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☺ **According to actuaries, a married couple, both age 65, have a better chance of blowing out their**

candles for their 100th birthday, than have their house burn down. Another reason of making sure that your money lasts as long as you do.

☺ **If your computer takes longer than usual to start up, (with WINDOWS), go to START…then ALL PROGRAMS…then STARTUP. Now you can delete startup programs you don't need. Don't worry, the program will still be on your computer, it just won't startup when you startup.**

☺ **I know this may be a little late, but you can get top notch tips on getting the most tax deductions at www.BottomLinePersonal.com/TaxDeductions**

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When a Significant Life Event Occurs, It's Time to Review Your Beneficiaries

Many investors commit a common estate planning mistake with their IRA assets. Unfortunately, the mistake sometimes becomes apparent only after the account owner dies— when it comes time to transfer the IRA to the heirs.

For the intended beneficiaries, these mistakes can lead to extended headaches and heartaches. They can also result in a significant tax bill, which ultimately could reduce the portion of the IRA that heirs will receive

There is a simple way to prevent the mistake – update your beneficiary designations after significant life events, and add contingent beneficiaries if you haven't done so. This too, is a significant part of the estate planning process.

Many people name beneficiaries at the time they opened an IRA, but they never bother to review or update these designations later in life.

Because there are several life events that could require a change in beneficiary designations -- divorce, re-marriage, the death of a spouse, and the arrival of children or grandchildren – it is important to review and update your beneficiary designations whenever a significant event occurs in your life.

For example, what happens to your IRA should your beneficiary go before you? If you have not changed your primary beneficiary or have not named contingent beneficiaries, your IRA assets could wind up in your estate when you die.

If that were to happen your heirs could ultimately receive a much smaller portion of the account value, due to income taxes, final expenses, and creditor claims.

This is why it is so important to update your primary beneficiary and name contingent beneficiaries every time there is a major event for you and your family. By doing so it will help you to transfer your IRA assets efficiently and avoid probate; otherwise you could have a severe problem on your hands.

Currently, your heirs may have the opportunity to stretch out their IRA distributions over their lifetimes from your inherited IRA. This potentially allows the account to grow tax-deferred over the lives of two or more beneficiaries while reducing the income taxes due.

However, AGAIN, without valid beneficiary designations, they may have to take mandatory, larger distributions over a shorter period of time after your estate is settled.

If you are not sure whom you have named as beneficiaries for your Traditional IRA, Roth IRA, or other accounts; or you want to review the estate and income tax liability your heirs might face, please call my office for a free consultation.