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SENIORS/BOOMERS NEWSLETTER

'the retirement experts'

September 2015

The Intelligent Investor is a Realist Who Sells to Optimists and Buys From Pessimists

The above quote is one of the many pearls of investing wisdom from the Grand Master himself, Benjamin Graham. It's just another way of saying...BUY LOW & SELL HIGH.

After the little roller coaster ride we had in the 2nd half of August, it's a stark reminder that we have to stick to investing principles if we are going to navigate the markets...in good times or bad.

Graham also said: 'Experience teaches us that the time to buy stocks is when their price is unduly depressed by temporary adversity. In other words, they should be bought on a bargain basis or not at all.'

In turbulent markets it's vitally important to stick to a 'realist' style approach.

• If you want the potential returns from the stock market, you have to be willing to accept the volatility.

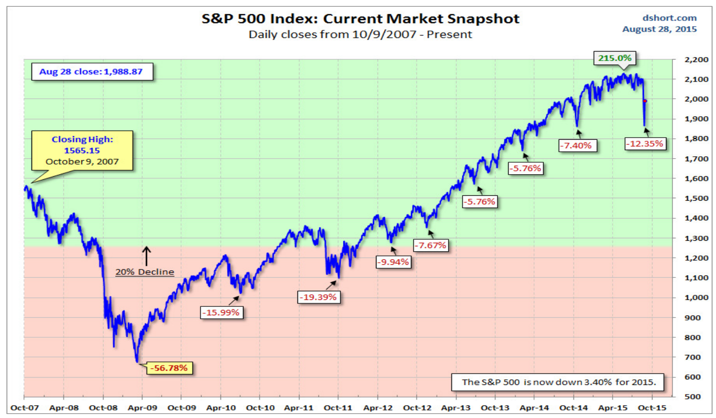
• You cannot time the market. Trying to get out at the highs and back in at the lows, just doesn't work. You must adopt and maintain a long-term approach.

• Diversification, however, does work. Having assets that zig when the others zag keeps your portfolio safe.

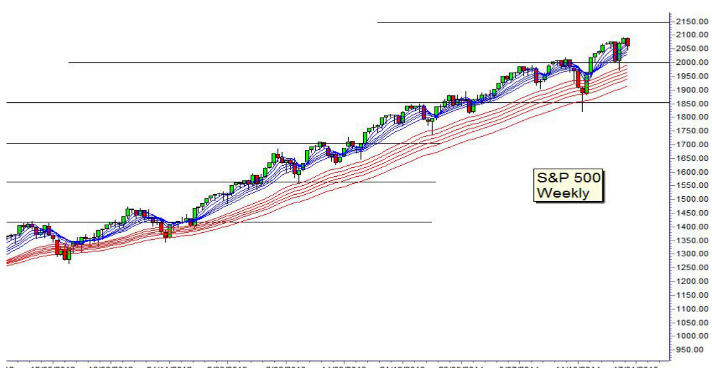
• Stick to the fundamentals:

*is the economy growing
*are we in a recession
*is the Federal Reserve tightening
*is unemployment decreasing
*is housing improving
*is the company's stock making money
*is the market in a down or up trend
*are you using trailing stop losses

As you can see from the chart below, we have had a long series of corrections over the years. You can also see that we have overcome them.



This next chart also shows the general trend of this market today...which is upwards. So, going back to the fundamentals in the adjacent column, we have a growing economy; the 2nd quarter GDP was revised up to 3.7% - not bad – so we are not in a recession; housing and unemployment are both improving; the FED will eventually tighten but really, how much of a difference does ¼ % make? Not much. So, for now, things look like we can expect further gains in the markets.



A Stockbroker Urged Me to Buy a Stock That Would Triple Every Year. I said at my Age I Don't Even Buy Green Bananas!!!

Virtually every investor that reads or watches television is being told to buy bonds in order to protect themselves in a market downturn. But is this good advice in today's interest rate environment?

As most of you know, when rates rise, bond prices go down. The simplest way to illustrate this point is...if you had a bond paying a 5% coupon that was worth $1000, how much do you think you'd get for it if a similar bond was issued that paid 6%? A lot less than $1000, I'd bet.

So, if we know the Federal Reserve is going to raise key lending rates, perhaps as early as September, should you be holding bonds?

The first point to make here is that if you have a bond and wish to hold it to maturity, you will be paid all interest due and get your principal back...providing the bond issuer does not go out of business.

Now, not everyone wants to buy individual bonds. It takes a lot of research and tools to get that done. Instead, most investors prefer to buy bond funds or bond ETF's.

These instruments come with a few caveats however. Typically, these securities do not hold bonds to maturity, and even if they did, the process would only work if everyone owning them was also prepared to stay for the long haul.

Otherwise, if rates rise and prices fall, and investors start running for the hills, the managers will have no choice but to sell into what probably is a declining market...making the situation even worse.

Next, and this point is very important. Big banks have traditionally acted as market-makers for bonds. In other words, they would step in and buy when a seller wanted to sell, then turn around and sell what they bought to a willing buyer. They made a little money for each step. A spread.

Now, however, with the advent of a lot of new rules and regulations, most banks have reduced their bond trading desks because of higher capital requirements...making this business basically unprofitable.

Now imagine, if a fund or ETF was holding a bond that they wanted to sell, and no one (a bank for instance) was ready to step in buy, what would happen? Why, they'd have to take whatever they could get from whatever buyer they could find. This could mean wild swings in prices.

(as a side note, this would probably not be the case with an individual bond because if you hold it to maturity you get your money back...talk to your advisor)

So if you do own a bond mutual fund make sure you check the duration and remember the longer the duration the greater the impact rising rates will have.

For example, here's what a 1% rise in interest rates would do to Treasuries:

- 2 year Treasury -2.0%
- 10 year Treasury -8.6%
- 30 year Treasury -17.8%

So you see the longer the maturity the greater the impact on price.

10 SCARY RETIREMENT STATISTICS:

1. According to the Employee Benefit Research Institute, just 22% of workers are very confident that they will have enough money in retirement.
2. In recent Congressional testimony, it was determined that 45% of Americans have saved ZERO towards their retirement.
3. In fact, the median retirement account balance for those who have saved something, is $12,000 for those households approaching retirement.
4. Women, in particular are at risk of being impoverished in retirement seeing as their lifespan is 85...3 years longer than men. They also have traditionally made less money.
5. Just one in six employers offer health care insurance to their retirees.

6. Out-of-pocket health care costs are expected to run a couple of 65 year olds about $220,000 over twenty years.
7. Health care spending (yours) is expected to increase by 5.8% through 2022.
8. Since the formation of the Patient Protection and the Affordable Care Act of 2010, the projection of what Medicare will pay for retirees is only 62% of your overall health care expenses. The rest is on you.
9. Of the 38% that you'll be required to pay, 23% of that figure will go towards prescription drug expenses; 32% for Medicare premiums; and 45% for your co-pays.
10. The projection for the cost of one year of long term care in the future lies somewhere between $120,000 up to $200,000.

Truly scary!

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☺If you think that you may have lost track of some old savings bonds, you can check www.treasurydirect.gov for some help.

☺Pre-approved credit card offers are not only generally annoying, they are potentially dangerous for identity theft. If you want them stopped for good go to www.optoutprescreen.com

☺Don't forget to get your free annual credit report at www.annualcreditreport.com

☺There are hundreds of scams and cons out there. Find out more about them at www.BBB.org/ScamTracker

6 Secrets of Dividend Investing: How you can earn great returns with less risk

(By the Motley Fool Income Investor)

Finding the best dividend stocks takes some legwork and careful analysis. But here's how you can find the best long-term winners:

1. **Avoid the Highest Dividend Stocks —** You can't pick stocks by dividend yield alone. Above-normal dividends are often a red flag for a company in distress. Studies have consistently shown that you will earn higher long-term returns by avoiding risky stocks with overly high dividends.

2. **Beware the "Dividend Time Bombs" —** Not all dividends are created equal. Even if a company has a generous dividend, it must be able to maintain it. A "doomed-to-be-cut" dividend can be worse than no dividend at all. Once a dividend is cut, it's likely to make the share price fall also.

3. **Cash Is King —** Free cash flow (FCF) is the true health of the business. Find the companies that generate tons of it. Even in the worst of times, those flush with greenbacks have options. Firms with cash can buy back their shares to raise stock prices, make their debt payments, increase dividends, and buy other profitable businesses. That's why cash flow is the single most important factor that determines value in the marketplace.

4. **Don't Focus on Income without Growth —** Only growing businesses are truly healthy. So cash flow needs to be strong enough to not only pay a healthy dividend but also generate enough cash to grow and stay strong strategically.

5. **Don't Forget Value —** An investment's total yield depends on both the dividend amount and the stock price. Stocks of companies making real products and real profits often don't make the headlines. So dividend stocks can also be a great source of hidden value. Finding value by focusing on dividends first can help you avoid catching the "falling knives" that trap some value investors.

6. **Have a Longer-Term Focus —** Many brokerage houses make investment recommendations based on a very short-term view of the world — often a maximum 12-month time frame. Individual investors should have at least a three- to five-year view when considering investments. More time helps you fully realize the true power of compounding dividends.

Is There a Better Way to Manage ……..........YOUR PORTFOLIO............. With 'ups & downs' in the market?

If you have been a "buy-and-hold" investor over the past decade, you are probably aware of the pitfalls of using this strategy.

A buy-and-hold strategy works well in rising markets, but shows all of its shortcomings when market action isn't always positive.

In a bear market, the buy-and-hold strategy requires that you sit, wait and hope that the bull market returns soon so you can try to recover your losses. Younger investors may have the time to ride out market dips, but in most cases senior investors do not.

There is another alternative. Instead of sitting and waiting, you could take a more proactive approach and look for investment gains whenever and wherever they present themselves. This kind of strategy is known as "tactical asset allocation."

Some of these strategies, for example, will have you moving from stocks to bonds to cash depending on where you or your investment advisor believe the best opportunities will be found.

Other strategies may have you rotate your holdings among different sectors of the market (e.g.: energy, technology, healthcare, etc.) or to different types of stocks (e.g.: growth or value, large-cap, mid-cap, small-cap, international, emerging markets, etc.)

It will all depend on what areas of the market, or world, is predicted to do well, given the current market and global economic conditions.

One of the advantages of using a tactical asset allocation strategy is that your portfolio is under constant supervision during all phases of the market cycles.

A tactical asset allocation manager evaluates conditions in the financial markets on a regular basis to determine where the best opportunities are and where the highest risks may lurk.

Once this information is analyzed then your portfolio is redirected into different investments based on this evaluation. You and or your investment advisor should always monitor investment performance to ensure that your portfolio remains on track to meet your objectives.

Tactical asset allocation strategies do not come without risks. There is always the risk that you could be wrong about the market and may miss out on gains or suffer losses.

Plus, a tactical strategy may trigger more capital gains and result in higher income taxes. For some investors these strategies might work best in a tax-deferred and/or qualified account.

A tactical asset allocation strategy can be used by itself or may complement the "buy-and hold" portion of your portfolio.

Either way, tactical asset allocation provides a disciplined strategy for managing risks and seeking out returns in an ever-changing market environment.

HAVE A GREAT LABOR DAY