MACMILLAN FINANCIAL
John MacMillan ChFC, RICP
PO Box 66
Annandale, New Jersey, 08801
(T) 908-236-7500 (F) 908-236-7511
www.macmillanfinancial.com
jrm@macmillanfinancial.com

SENIORS/BOOMERS NEWSLETTER

'the retirement experts'

SPRING 2016

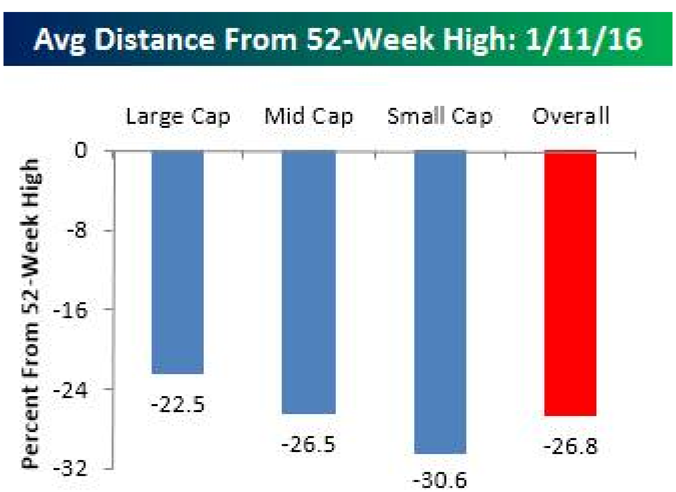
Let me begin by explaining why you haven't seen a newsletter from me over the past couple of months. I have been writing exams and I have recently earned a new designation from The American College:

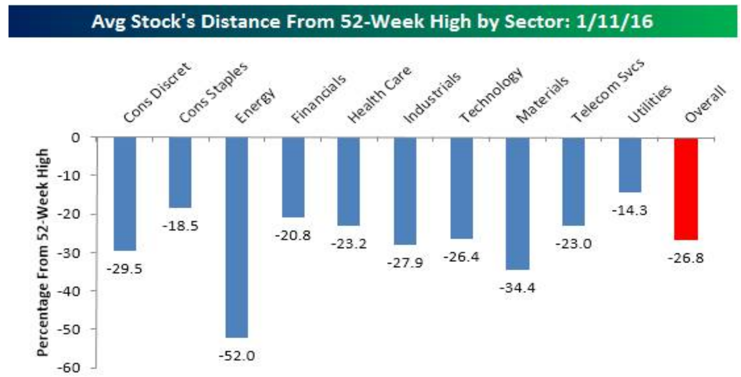
Retirement Income Certified Professional. (RICP®).

The RICP program is the most advanced designation in retirement planning currently available in the United States, and to date there have only been 1500 graduate advisers. I am very proud to say that I am now a member of that group and will be applying new knowledge in an effort to serve you better!

Market News Can Be Deceiving

The following charts come to us courtesy of the Bespoke Investment Group. Although they date back to early January, those market levels are about where we stand today...and the results are still accurate.





What these illustrations tell us is that the average stock is, and has been, in Bear Market territory for quite some time...like since May of last year. In fact, only one in five S&P 500 stocks **is NOT** in correction territory (down >10%) right now.

The reason why the market news doesn't seem quite so bad is that it has been propped up by just a few companies. The FANG stocks (Facebook – Amazon- Netflix-Google) have been responsible for keeping the S&P gains at zero. Without them, the market would be down 3.14%.

Another stat comes from The Value Line Composite index of more than 1700 stocks. According to that service, the index has lost 8% year to date. Even Long dated Treasuries are down 4.7%.

World markets haven't fared much better.

ENGLAND	-21.0%
JAPAN	-23.2%
FRANCE	-24.3%
GERMANY	-28.3%
HONG KONG	-32.5%
CHINA	-46.7%

So, you may be wondering what you can or should do with this information. Plenty. You have to be value investors; you have to know what to keep and what to get rid of; you have to know when to sell; you have to know HOW to get out.

Let's start with

GETTING BEST VALUES

>try to buy with a P/E of around 10
>look for high earnings growth
>demand lots of free cash flow
>a price/book of around 2 or less
>return on investment capital of 20%

AUDITING YOUR PORTFOLIO

>would you buy the same stock today
>is the company still an industry leader
>are sales/profits still growing
>can you explain to others what they do
>is it more than 5% of your portfolio

WHEN TO SELL

>reason you bought the stock is gone
>stock is fully valued
>you found something better to buy
>profits/earnings are shrinking/falling
>the trailing stop-loss was pierced

LEAVE THE FIELD IN ONE PIECE

>don't get emotional with your stocks
>set an amount you're prepared to lose
>do this BEFORE you buy the stock
>set a trailing stop-loss on everything
>don't waiver...follow through & sell

As a further illustration of the importance of stop-losses, you have probably heard the name Bill Ackman. He's a Harvard MBA graduate and regarded as one of the smartest investors out there.

Bill owns & runs, what was one of the elite hedge funds in the business...Pershing Square Capital Management. You may have also heard the name, Valeant Pharmaceuticals.

Pershing Square, a major shareholder in Valeant, saw the value of Valeant's stock peak at $260/share last year, and then ***rode it all the way down*** to its current level of $28/share...a loss of roughly 90%. At the high for the stock, Ackman was making a profit of $1.1billion. At today's price he has lost all that profit and almost all of the original $3.9 billion he invested...a $5 billion swing.

So, that's the value of trailing stop-losses!

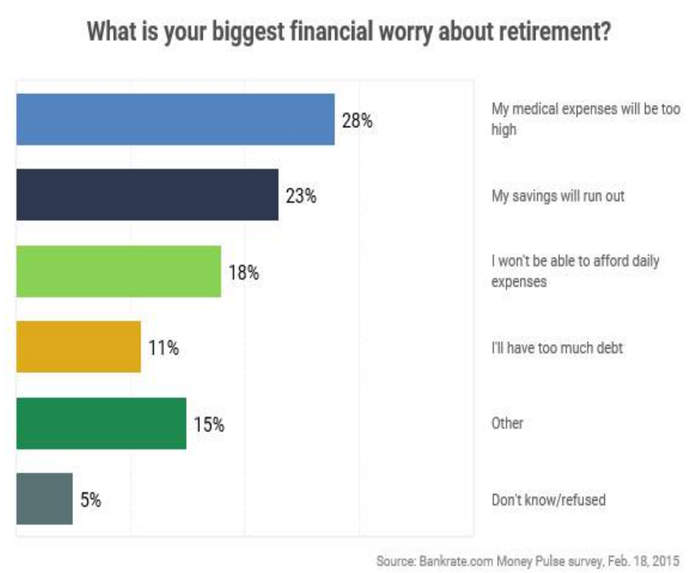
"It's not too much of a stretch to say that some of the only people in America who are going to work the same job, in the same place, with a health and retirement package for 30 years are sitting in this chamber"

President Obama in 2016 State of the Union address

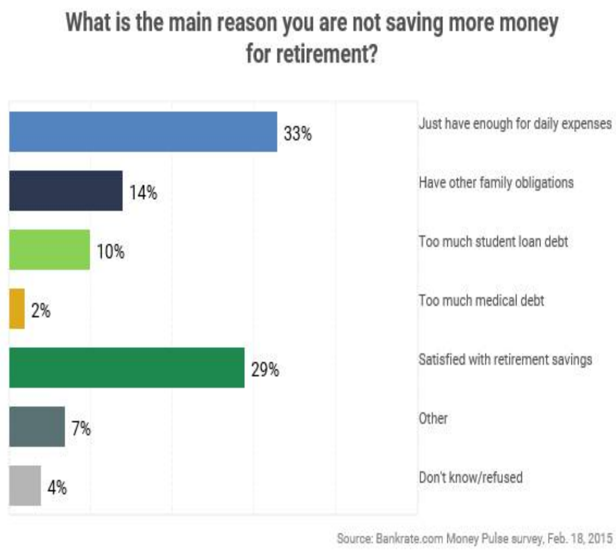
The chamber erupted in laughter. The rest of America winced. Some humor is just not funny!

This statement is particularly painful when you realize that, according to CNBC, 62% of Americans can't even cover unforseen expenses..like car repairs, plumbers, medical bills, etc.

Going into retirement can be very scary for a lot of people. According to a recent study by BankRate.com, below are the biggest worries:



So why aren't we saving more?



Each of the three phases of retirement bring with them different spending needs:

Phase 1: **Go-Go**
Phase 2: **Go-Slow**
Phase 3: **No-Go**

It's important for everyone to take an inventory of their Household Balance Sheet, as created by Dr. Wade Pfau, a renowned financial economist. This is a great place to start to forecast what you've got and what you'll need to build a retirement income strategy through the different phases of retirement.

Household Balance Sheet

Assets	Liabilities
Human Capital	Fixed Expenses
Continuing Career	Basic Living Needs
Part-time Work	Taxes
	Debt Repayment
Home Equity	
	Discretionary Expenses
Financial Assets	Travel & Leisure
Checking Accounts	Lifestyle Improvements
Brokerage Accounts	
Retirement Plans	Contingencies
	Long-Term Care
Insurance & Annuities	Health Care
	Other Spending Shocks
Social Capital	
Social Security	Legacy Goals
Medicare	Family
Company Pensions	Community & Society
Family & Community	

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• If you have some old electronics that you no longer want, you can sell them on-line at www.gazelle.com

• A web site exists that helps you see what others are doing about medical conditions that you and they share. Go to www.patientslikeme.com

• You may want to check specific public record information. You can do your searches at http://publicrecords.onlinesearches.com

• Find out if your medications are safe through a new FDA web site. Go to www.fda.gov and click on 'drugs', then click on 'drug safety'.

• Compare mutual fund expenses at www.finra.org/fundanalyzer.

• Next is an item that I used to provide which is now only available on-line: LAW POINTS FOR SENIOR CITIZENS. It is an excellent 78 page booklet that addresses many senior issues. Go to www.njsbf.org/for-the-public/public-publications.html

•The Gateway to Resources for Senior Living provides resources designed to assist in planning decisions about retirement. It can be found at www.retirementliving.com

•Information on Aging Services through non-profits is available at www.leadingage.org

Do You Really Need a TRUST?

Over the past few months I've had different clients ask about the best ways to leave their kids and grand-kids an inheritance.

Two of the most asked about items were IRA's and houses and whether or not they should be placed in a trust. The IRS has a publication 590 devoted to IRA's. This little booklet, all 114 pages, contains the complex labyrinth in the world of IRA's This is not to be taken lightly. The IRS is unforgiving when it comes to making mistakes with IRA's.

So, should you place your IRA or home in a trust? The general answer to this question is probably not. Everyone's situation is different and the total amount of assets you have will play a big part in the answer. So

Let's begin with leaving your IRA to a trust. There are only a couple of reasons why this might make sense:

1.It's going to someone who can't be trusted with money (minors; spendthrifts).

2.You want to avoid your heir's spouse from getting his/her hands on the money.

You would need an expert attorney with specialized expertise who is completely familiar with IRA trust terms such as 'see through', 'dropdown and out of trust procedure', designated beneficiary, disregarded beneficiaries, etc.

If an error is made in the trust documents the tax consequences could be devastating and generally be much worse than simply naming your heir on the beneficiary designation form for your account.

When an IRA is inherited the right way (yes, there is definitely a right and wrong way), your beneficiary should be able to preserve the tax-advantaged status of the account.

*Spouses can basically take over the IRA as their own.

*Non-spouses have the following options:

1.Empty the account in 5 years. If this option is chosen, then the Required Distribution rule does not apply.

2.Leave the account where it is. If the deceased owner has not started their Required Distributions yet for age 70.5, then the account will be distributed over the lifetime of the oldest beneficiary (providing there was more than one).

3.The beneficiaries can split the account into equal shares as an 'inherited IRA' and take distributions over each of their lifespans.

4.Beneficiaries cannot add to the account; cannot place it in their own name and/or convert it to a ROTH. Again, there are a lot of complex rules so be sure to get advice before touching an inherited IRA.

What should you do about gifting your home?

1. If you gift it away right now, your kids will have your original 'tax basis' which is probably much lower than the home value today.
2. You can sell it below its true market value...however the IRS will step in and determine that the difference between the sale price and market price will be treated as a gift.
3. Seller financing is also an option. Here you sell your house to your kinds and take a very small down-payment. Then you carry a note for the difference. They will be able to take mortgage interest deductions. You can also make a $14,000 annual gift per spouse to your child and spouse in order to reduce the note.
4. If you die holding a note on the property you sold to your children, the balance can be forgiven as a bequest. This will use up part of your estate tax exemption.
5. You can set up a **Qualified Personal Residence Trust.** This lets you stay in the house rent free and is an IRS approved gift. There are a lot of twists and turns with a QPRT and a potential landmine if you die before the term of the trust expires.

OR

7. Let your kids inherit your house when you pass away. They get it at today's value on a step up in basis and if the house is sold immediately, there are no taxes to be paid. If they sell later, they will only be responsible for capital gains on new gains since your death.