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SENIORS/BOOMERS NEWSLETTER

'the retirement experts'

June 2016

NEVER FORGOTTEN MEMORIAL DAY

MARKET SNAPSHOT

Talk about a frustrating market. It seems like it's been going sideways forever. And, you know what? It basically has.

BARRON'S had a great article last week entitled "Stuck in the Twilight Zone". What they noted was that the Standard & Poor's 500 index closed at 2130 on May 21, 2015. As of this writing it sits at 2093. The Dow Jones opened 2015 at 17,823. Today it's at 17,839. Yuck!

S&P earnings have not fared any better. In 2015, the composite's earnings fell from $118.78 (in 2014) to $117.46. Eight months ago the S&P earnings for 2016 were estimated to come in at $130. Right now that number has fallen to $118.34...and there's every reason to believe they will fall further before this year is out. According to FactSet, earnings declined 7.1% in the 1st quarter alone.

If you follow the markets, I'm sure you've noticed that many companies have topped their earnings-per-share(EPS) estimates. It may make you wonder why then, do the numbers I just gave you not jibe with that.

The reason is relatively simple. There are a host of companies buying back their own shares because they have nothing better to do with their money. That means that the number of outstanding shares is smaller and that number divided into earnings will obviously make the EPS higher.

The reality is earnings on the whole are not growing. If it weren't for cost reductions, the reports coming from many corporations would be downright ugly.

So what rules are being followed by the investing community? And why are they so immersed in the markets? It's called listening to a mystery lady. Her name is **TINA FOMO?**

You're probably wondering who Tina Fomo is. She is an acronym for:

There **I**s **N**o **A**lternative..aka...FEAR
Fear **O**f **M**issing **O**ut...aka...Greed

Fear & Greed can be dangerous. Read on.

4 Simple Rules to Investing Success

1. Long term fundamentals are the cornerstone to stock selection. A company's earnings are what you are buying when you buy a stock.

2. The market moves on emotion…not on logic. In his book *How to Be Rich* , J Paul Getty wrote, 'Owners of sound securities should never panic'.

3. Al Goldman of A.G. Edwards advised to 'buy at the wake; sell at the wedding'. It pays to be a contrarian.

4. Perspective & patience pay off.

When to Sell a Stock

You sell when the reason you bought the stock no longer exists.

Sell when your stock is fully valued and has little further upside potential.

It's a great time to sell when you have found something better to invest in.

Finally, sell a stock that has lost the maximum amount you were prepared to lose.

Should You Risk Keeping a Highly Appreciated Investment?

What do you do with an investment that has gone up in value? For some people, the threat of a large tax bill keeps them from selling, even if they know the investment's growth has thrown their portfolio out of balance.

So what is more important: Saving tax dollars or reducing risks in your portfolio? Depending on the investment's value, your other assets, and your time horizon, taking profits and paying taxes now could potentially make more sense than assuming a greater risk of loss down the road.

Here are some questions you should ask if you have a highly appreciated asset or investment that you are considering selling:

Have you held the investment for at least one full year?

If you have, then the gain could be subject to the lower capital gain taxes. If not, any profits you realize from its sale will be taxed at your ordinary income tax rate which in many cases could be higher than your capital gains tax rates.

Will your taxable income decrease in the future?

If so, you may fall into a lower tax bracket and qualify for a lower tax rate on long-term capital gains later on. See next column for 2016 tax rates.

	Married filing jointly / Qualifying widow or widower		
Tax rate on ordinary income	*over*	*to*	Rate on LT capital gains
10%	$0	$18,550	0%
15%	$18,550	$75,300	0%
25%	$75,300	$151,900	15%
28%	$151,900	$231,450	15%
33%	$231,450	$413,350	15%
35%	$413,350	$466,950	15%
39.60%	$466,950		20%

When do you expect to need the money from the investment?

Maybe you don't expect to tap this asset for another 5 or 10 years. But doing so could possibly expose your portfolio to a greater degree of risk over the long term.

The capital gain taxes may be a relatively smaller price to pay for the comfort that comes with a properly diversified portfolio. Plus over time, your diversified investments might potentially be able to recover the full amount you paid in capital gain taxes.

Although diversification does not guarantee against the risk of loss in a declining market, it can help you to reduce the market volatility risk of your portfolio.

Do you need the investment at all?

If you feel you have sufficient funds to last the remainder of your life, you may never need this investment at all. That being the case, you may consider leaving the investment alone and letting it pass to an heir upon your death. Whoever receives the investment might be able to assume a step-up in cost basis, resulting in a smaller capital gain tax bill.

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☺ **If you are interested in checking out a financial advisor's background, you can do so by going to www.finra.org or www.brightscope.com**

☺ **Having a hard time keeping track of all your stuff? www.knowyourstuff.com can help. In case of disaster you can still access your information from any computer.**

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VACATION CHECKLIST

1. Electrical appliances should be turned off.
2. Windows & doors locked.
3. Newspapers & mail suspended.
4. Arrange for lawn mowing.
5. Tell a trusted neighbor when you're away.
6. Don't hide your house key outside.
7. Set timers on interior lights.
8. Unplug devices susceptible to power surges.
9. Store jewelry & important papers.
10. Blinds & curtains should be closed tight..

Can You Count on Dividend Income?

One of the challenges many older investors face when managing their cash flow pertains to income from dividends. This is especially true today in our ZIRP mode (zero interest rate policy).

Unfortunately, common stock dividends come with no guarantees. Companies are not required to pay them, and those that do can suspend their dividends at any time as their business needs dictate.

Since there are no guarantees for dividends, should you rely on them for planning even a portion of your retirement income? Possibly, but first consider the following points.

1st Create a diversified portfolio of different dividend-paying stocks. If your dividends are coming from a single source, you run the risk of losing what could be a significant portion of your income should the company decide to discontinue their dividend payments.

With a diversified portfolio, your regular dividend income stream could continue, buffered by the on-going payments of the other stocks in your portfolio.

Although diversification does not guarantee against the risk of loss in a declining market, it can help to reduce the market volatility risk of your overall portfolio.

2nd When building your dividend-income portfolio, look for high-quality companies in sectors that have historically paid out a steady stream of dividends to shareholders.

Finding these stocks can be tricky, but there are a few good places to start. Companies in stable industries or in highly-regulated markets such as electric utilities are typically good candidates for a dividend-income portfolio.

These companies usually face fewer threats to their business and fewer interruptions of their cash flow, making it less likely that they would have to discontinue dividend payments.

3rd Another way to invest in a diversified portfolio of high-quality dividend-paying stocks is to choose a dividend income Exchange Traded Fund (ETF).

A dividend income ETF offers diversification in a mutual fund investment environment. Please note, however, that stocks, ETF's and mutual funds are investments that involve market risk, and investment return and principal value will fluctuate so that upon redemption an investor's shares may be worth more or less than the original value.

4th If you have the knowledge, expertise and resources, dividend income can be generated from 'preferred shares'. If you go this route on your own, be sure to only invest in investment grade companies and make sure the call date is far enough out to enjoy the regular dividends for a worthwhile period.

The Importance of Succession Planning

If you, or someone you know, own a substantial interest in a closely-held business, a succession plan may be the single most important component of your retirement and estate plan. Without an effective business succession plan, your death or long-term disability could mean the end of the business you worked so hard to build.

Many business owners are so busy running their companies that they forget to plan for the simple steps that will help them maintain or pass on the wealth that they shed a lot of blood, sweat and tears to accumulate.

At death or disability, no asset tends to decrease in value as quickly or completely as a closely-held business. Imagine a restaurant, doctor's office, retail shop or other small business that closes for 60 days. The value of the business may decrease rapidly and substantially – in some cases, completely.

A successful estate plan is one that minimizes estate taxes in the event of your death. When you die, estate taxes will be assessed based on the fair market value of any assets that you own, including all of the assets you would normally find on a personal balance sheet, such as cash, securities, your primary residence and any personal property. Life insurance proceeds AND the value of your business are also included.

(Note: do not ignore New Jersey estate taxes which currently run as high as 16% for estates over **$675,000**. Estate taxes are generally due to the government within nine months following your death.)

If your estate is comprised of illiquid assets such as real estate and your business, paying the estate tax bill due after that nine-month period expires could be troublesome and deplete everything you worked so hard to pass on to your family.

What about your retirement? Are there one or more buyers ready, willing and able to purchase your interest in the business at a fair price? A well-crafted buy-sell agreement can help families and business associates retain control of a business and protect its value in the event of retirement, death or disability.

With proper funding, a buy-sell agreement can help assure there will be a ready market for the business at a time when you or your family may require a source of retirement income, estate liquidity or surviving family living expenses. A buy-sell agreement can also help minimize conflicts that may occur and establish a value for the business for Federal estate tax purposes. To help ensure the viability of your business and the financial security of your family, call me and we can schedule a time to explore the most appropriate design, valuation methods and funding alternatives for your particular business.