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SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

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'I Pick the Jockeys ; the Jockeys Pick the Horse

Ross Perot

This is a saying made famous by American business magnate, Ross Perot. It's meaning is quite clear. An example of what he was referring to would be to look at someone like Warren Buffet. You could do much worse than following what he does!

When it comes to investing, it is vitally important that you do your due diligence. With the Internet so pervasive with sites offering so much 'free' unbiased information, there is no reason that you can't drill down to get to the heart of a company you're looking into.

In today's market, it's getting harder and harder to find bargains out there. But don't get discouraged. There's an old Wall Street adage: There's no such thing as a bad asset…just a bad price. Press on until you get the price you're willing to pay.

How much higher can this market go? Without question stocks are richly valued, but; the economy continues to surprise to the upside.

According to the American Institute for Economic Research, when reviewing the September Business Conditions Monthly, their Leading indicators increased from 83 to 89. The Coincident Indicators were at a perfect 100, while the Lagging Index held at 50. All in all, a fairly positive report.

Having said that, this is not the time to get complacent. I know there are many (many) talking heads out there telling their viewers that they should be all in...this market has further to go. Some say, much further. When I watch the financial channels every morning, I usually see about 4 out of every 5 guests totally bullish on equities.

This however can lead to a false sense of security. It's like painting lifeboats on the sides of ships. Just because the majority of analysts feel positive on the direction of the market, doesn't mean that its headed that way.

There are several interesting things going on here which you should be aware of:

1. Average daily volume is way down. Year-to-date volume has averaged just 565 million shares/day. Last year it was 642 million. Back in 2007, it was 1290 million. This is not looking like a lot of conviction. So when it comes to paying attention to market analysts it is prudent to watch they do and not listen to what they say
2. According to the cyclically adjusted price/earnings ratio (which compares the price of the index to its average inflation adjusted earnings over the prior decade) it shows that today's S&P is the third most expensive in history, trailing only the 1929 and 1997-2000 periods.
3. Yields on corporate bonds are lower than they are on stocks. Yikes!
4. The VIX, better known as the volatility index, is at historic lows – signaling 'no fear' in the market by investors. Since its creation 27 years ago it has closed below 10 only 25 times…16 of which happened since May of this year.

These facts are a little concerning, although in and of themselves really do not speak to everything going on in this particular market. All they are doing is signaling PRUDENCE. If you stick to fundamental investing principles you will be alright.

Tony Robbins: 7 questions **you must ask to keep a financial adviser honest**

Tony Robbins, as I'm sure you know, is a life & motivational speaker, business strategist and renowned author. He has put together a very interesting article giving his advice on how to take charge of your money before giving it to any professional manager. Here it is, courtesy of BusinessWatch.

Doctors, lawyers, and certified public accountants in the United States are legally required to act in the best interests of the people they serve. Yet financial advisers get a free pass. There are more than 200 different designations for financial advisers, including "financial consultants," "wealth managers," "financial advisers," "investment consultants," "wealth advisers," and — in case that doesn't sound exclusive enough — "private wealth advisers."

But the reality is, of the roughly 310,000 financial advisers in the U.S., less than 10% are legally obligated to put your interests first at all times on all of your accounts. These are called "registered investment advisers" or RIAs for short. RIAs don't accept sales commissions. Instead, they typically charge a flat fee or a percentage of your total assets for unbiased financial advice. It's a cleaner model that removes awkward conflicts of interest and hidden agendas.

As for the other 90%, they're simply brokers in disguise. Many of them work for enormous Wall Street banks, brokerage houses, and insurance companies — the kind that splash their names on sports arenas.

Why does this matter? Because brokers have a vested interest in hawking expensive products, which might include actively managed mutual funds, whole-life insurance policies, variable annuities, and "wrap" accounts.

Here are some questions you need to ask:

1. Are you a registered investment adviser?

If the answer is no, this adviser is a broker. Smile sweetly and say good-bye. If the answer is yes, he or she is required by law to be a fiduciary. But you still need to figure out if this fiduciary is wearing one hat or two. That's because Its not enough that your financial adviser is an independent RIA. You need to be careful that the RIA is not also a broker.

You heard that right. In a strangely allowable arrangement, an RIA can be both a broker and a fiduciary in a process called "dual registration." When someone is "dually registered," at one moment they play the part of an unbiased adviser, reassuring you that they abide by the fiduciary standard and can provide you with conflict-free advice for a fee. But they can switch hats and act as a broker, earning commissions or kickbacks by selling you specific products. When they're playing this broker role, they no longer have to abide by the fiduciary standard. In other words, they're sometimes obliged to serve your best interests and sometimes not. How warped is that? These arrangements are perhaps the most dangerous for consumers as it creates immense confusion.

2. Are you or your firm affiliated with a broker-dealer?

If the answer is yes, you're dealing with someone who can act as a broker and usually has an incentive to steer you to specific investments. One easy way to figure this out is to glance at the bottom of the adviser's website or business card and see if there's a sentence like this: "Securities offered through [adviser's company name], member FINRA and SIPC." This refers to the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation, respectively. If you see these words, it means he or she can act as a broker. If so, run. Run for your life!

3. Does your firm offer proprietary mutual funds or separately managed accounts?

You want the answer to be an emphatic "no." If the answer is yes, then watch your wallet. It probably means they're looking to generate additional revenues by steering you into these products that are highly profitable for them (but probably not for you).

4. Do you or your firm receive any third-party compensation for recommending particular investments?

This is the ultimate question you want answered. Why? Because you need to know that your adviser has no incentive to recommend products that will shower him or her with commissions, kickbacks, consulting fees, trips, or other goodies.

5. What's your philosophy when it comes to investing?

This will help you to understand whether or not the adviser believes that he or she can beat the market by picking individual stocks or actively managed funds.

6. What financial planning services do you offer beyond investment strategy and portfolio management?

Investment help may be all you need, depending on your stage of life. But as you grow older and/or you become more wealthy with various holdings to manage, things often become more complex financially. For example, you may need to deal with saving for a child's college education, retirement planning, handling your vested stock options, or estate planning. Most advisers have limited capabilities once they venture beyond investing. In fact, most aren't legally allowed to offer tax advice due to their broker status. Ideally you want an adviser who can bring tools for tax efficiency in all aspects of your planning — from investment planning to business planning to estate planning.

7. Where will my money be held?

A fiduciary adviser should always use a third-party custodian to hold your funds. For example, Fidelity, Schwab, and TD Ameritrade all have custodial arms that will keep your money in a secure environment. You then sign a limited power of attorney that gives the adviser the right to manage the money but never to make withdrawals. The good news about this arrangement is that if you ever want to fire your adviser, you don't have to move your accounts. You can simply hire a new adviser who can take over managing your accounts without missing a beat. This custodial system also protects you from the danger of getting fleeced by a con man like Bernie Madoff.

This is a great article full of solid advice. If you are having trouble finding an advisor you feel you can work with, don't give up. Everyone who invests (particularly for retirement), needs a professional to guide them.

I came across an excellent excerpt from Barron's magazine feature writer, Kopin Tan, on trying to go it alone when it comes to investing.

'It's one thing if you're a 25 year old with a 30-inch waist and the stomach and the decades to ride out market cycles. But what if you're 55 and plotting to retire soon? Markets, like life itself, are a series of ups and downs, and all one can do is maximize the ascent and control the damage on the way down. Autopilot works fine when you're climbing to cruising altitude, but you might want a skilled pilot when the descent starts.'

Medicare Popular Myths

Medicare provides millions of retirees with the financial security of knowing that healthcare costs are less likely to implode their hopes and dreams. Despite its importance, many people don't know much about this long-standing program, which leaves room for many misconceptions about Medicare and its future. With that in mind, here are five common Medicare myths, and the truth behind each one.

1. Medicare is broke

Despite what you may have heard or read, Medicare is *not* broke, bankrupt, or whatever other word you want to use. Medicare hospital insurance had nearly $200 billion in reserves at the end of 2015, the most recent year for which finalized data is available. And, substantially all of the program's costs were covered by the payroll taxes collected from American workers. What's more, Medicare is expected to run a surplus every year through 2020.

After 2020 however, Medicare is expected to swing to an annual deficit, which will continue for the foreseeable future. With the retirement of the massive baby boomer generation, there simply won't be enough taxpayers contributing to the program to take care of all of the beneficiaries. The trust fund's reserves are expected to be completely depleted in 2028, at which point the incoming payroll taxes will only be enough to cover about 87% of the program's costs.

2. All parts of Medicare are taxpayer-funded

When you see discussions about Medicare's funding problem, that only refers to Medicare Part A (hospital insurance). Part A is funded by workers' payroll taxes and the Medicare Hospital Insurance Trust Fund.

Parts B (medical insurance) and D (prescription drug coverage) are financed through beneficiary premiums

and general revenue. Taxes and the health insurance trust fund are not used to support them.

3. Medicare will cover all of your health expenses in retirement

Most people who are already receiving Medicare benefits know that this isn't true, but it remains a common myth, especially among younger Americans.

While Medicare Part A and Part B do cover a great deal of healthcare costs, there are a lot of expenses Medicare doesn't cover. Just to name some of the most common:

Deductibles: Medicare Part A has a $1,316 deductible per benefit period for hospital stays, and Part B has a $183 deductible for 2017.

Coinsurance payments: Hospital stays of longer than 60 days have a coinsurance payment, in addition to the deductible.

Part B co-pays" After you meet the $183 Part B deductible, Medicare generally covers 80% of medical services. The other 20% is your responsibility.

A Medigap plan can help you cover these, but you'll need to pay an insurance company additional premium for one of these plans. In addition, Medicare won't pay for long-term care, dental care, eye examinations for glasses, dentures, or hearing aids.

4. Medicare enrollment is always automatic

Automatic Medicare enrollment at age 65 is a half-myth. S*ome* people are automatically enrolled in Medicare, while others must sign up.

Specifically, if you're already receiving Social Security benefits when you turn 65, have gotten disability benefits for at least 24 months, or have ALS (Lou Gehrig's disease), you'll automatically get Medicare Parts A and B on the first day of the month you'll turn 65.

If none of these three conditions applies to you, you'll need to sign up. Be sure to sign up during your initial enrollment period, which is a seven-month time frame beginning three months before the month in which you'll turn 65.

5. Medicare is free

Another half-myth. Medicare Part A is free, if you've earned at least 40 Social Security credits throughout your career or otherwise qualify for benefits. However, Part B, which is the Medicare you'll use to go see your doctor, has a monthly premium you'll have to pay. The standard Part B premium is $134 in 2017 for new beneficiaries, and this is adjusted annually. In addition, high-income beneficiaries are required to pay higher premiums -- up to $428.60 per month for the highest-income seniors. The majority (about 70%) of Medicare beneficiaries pay their premiums directly through their Social Security benefits, so while you may not have to write a check each month, it's important to realize that you will have to pay for your Medicare benefits.

Some Simple Ways to Save Money

*take an empty water bottle through security at the airport then fill it up from a water fountain.

*ask your pharmacist if it would be cheaper to pay their retail price instead of putting it on your insurance.

*use ceiling fans more than a/c. They cost 1¢ per hour vs 36¢ for the a/c.

*ask restaurants if they offer a senior discount.

*the web site **'*thrillist*'** has a list of 75 food chains that offer free goodies on your birthday.

*check if your community offers free mulch. Many do.

*if you drive your car 5000 miles or less per year, ask your insurer for a discount.

*travel overseas with a credit card that that does not charge foreign transaction fees.

*avoid paying Microsoft Office annual charges. You can get compatible LibreOffice or OpenOffice for free.

*fly on Tuesdays, Wednesdays or Saturday to save up to 50%.

*try a company that guarantees they can save you money on bills: **BillFixers.com or Shrinkabill.com**