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SENIORS/BOOMERS NEWSLETTER

'the retirement experts'

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Here's wishing you and yours, a very
HAPPY , HEALTHY & PROSPEROUS 2017

The market is certainly enjoying a significant run-up since the election results on November 9th. Not everyone however has seen the stock market gains in their portfolios that you hear and read about. It's important to note that the major increases have come in sectors that heretofore have been distinctly out-of-favor throughout 2015 and 2016. They are the FINANCIALS, ENERGY, INDUSTRIALS; CONSUMER DISCRETIONARY. There were only an intrepid few who actually were holding positions in these sectors when this rally began. (for sector summaries, see link below).

http://www.usatoday.com/story/money/markets/2016/12/01/stocks-sectors-trump/94723848

The Dow Jones Industrial Average closed on Friday December 16 at a record high of 19,756.85—the index's 14th record close since Trump won the election. The Dow has risen 7.8% in that time, putting it in spitting distance of reaching 20,000, just weeks after breaking through 19,000 for the first time.

While the S&P 500 has gotten a Trump boost, too, it has lagged behind the Dow. Up 5.6% over the same period, the S&P 500 also set a new record high on Friday, but only for the seventh time since the election, according to S&P Global—half as many times as the Dow.

There's just one big reason for the Dow's out performance, and it's probably not what you thought. Sure, the Dow only has 30 stocks in it, of which only five have fallen since the election.

The Dow's faster rise compared to the S&P 500 plays into some investors' belief that Trump's economic policies will help the sectors that have traditionally employed U.S. middle-class workers, namely industrial and manufacturing companies.

But those companies have had a relatively small part in the Dow's dramatic rise towards 20,000. In fact, the company that has played a staring role in the Dow's out performance does not actually employ a lot of traditional middle-class Americans.

Goldman Sachs stock is responsible for a whopping 29% of the Dow's overall bump since the election. Put another way, Goldman Sachs alone is responsible for more than 400 points out of the Dow's total 1,400-point gain during the "Trump Bump."

The second biggest contributor in the Dow's record-breaking journey is also a bank, but it doesn't even come close to Goldman Sachs' influence on the market index; J.P. Morgan has risen more than 22% since the election, second only to Goldman stock's 33% gain—but it can only take credit for about 7% of the Dow's increase. (This is due to the fact that the Dow index is price-weighted, and because Goldman Sachs is now its most expensive stock at $242 per share, that bank holds bigger sway on the index average.)

Of course, the banks also had a lot to do with the rise of the S&P 500, which is weighted by market-cap, during the same period: Nearly 36% of the S&P 500's returns since the election came from financial stocks, according to S&P Global. Bank stocks have benefited from both the anticipation of higher interest rates as well as the belief that the Trump administration will roll back some of the more onerous financial regulations stemming from the Dodd-Frank Act. Without the financial sector, the S&P 500 would only be up 3.6% in the past month.

The 12 (½) *MOST COMMON mistakes Investors make....and what not to do in 2017!*

As regular readers know, I like to start off every year with a set of reminders of the most common investing mistakes...so that you don't fall victim to their ploys. So without further ado, let's take the refresher for 2017.

Mistake No. 1: Procrastination.

Over your lifetime, waiting for the right time to get into the market can ruin your investments. The right time is NOW. Google- **'market timing'** -and you'll get about 22 million results. Aside from a few sites telling you "how to" do it (I call these snake oil salesmen) virtually all respectable sources will tell you it can't be done successfully over an extended period of time.

The irony is the longer you wait to begin investing, the less time you have to invest. Every day you delay is a day of opportunity lost that you can never get back again. The saddest thing I've seen and read about since the market bottomed in March of 2009, is that many people were so shaken by the losses in the market that they never got back in. They missed a 300 % rise since the March 2009 closing of the Dow at 6443.

Mistake No. 2: No written plan.

If you don't know where you're going, any road will take you there! Different articles published in *Fortune* magazine, Money Magazine, MSN Money, Kiplinger's and others have stated that people with written financial plans end up with **two to five times** more money during retirement than those without written plans.

If you don't have an investment plan that's right for you, developing one should be a top priority in 2017. **DO YOU KNOW HOW MUCH MONEY YOU'LL NEED IN RETIREMENT????** It's probably more than you think. **DO YOU KNOW HOW MANY YEARS YOU'LL SPEND IN RETIREMENT?** It's probably more than you think.

Mistake No. 3: Taking too much risk.

Investment risk is not a theoretical concept. There is a very real possibility that you will lose money in the stock market. We've seen this three times since the turn of the century. Investing, by definition, requires taking some risk. There is a direct correlation between risk & reward. Some however, take on too much risk for their comfort level.

The right amount of risk will maximize your returns while still letting you sleep at night. Most investors don't understand what could go wrong with an investment when they make it… and they don't have a plan for what to do if things go badly. Having unrealistic expectations on how much an investment should appreciate will kill your portfolio. Most stocks don't make a major move of more than 20% in a short period of time. These are winners and, many times, should be cashed in…subject to rule **12 ½ .**

Mistake No. 4: Taking too little risk.

To contrast Mistake # 3, some people are paranoid about the thought of losing any money at all. They want everything, absolutely guaranteed. Very low risk however, almost always equates with low returns. If you put your emergency money in a bank account and earn 1, 1.25, or even 1.5 percent, you may think you're taking no risk. But in fact you are taking on the very real risk that **inflation** will rob your money of its purchasing power…not to mention the taxes you'll have to pay on the little interest you did earn.

Among the *'safest'* investments today, you will find government bonds paying you a lofty 2.5% for a 10 year loan, or 3.0% for a 30 year loan. However,when you factor in inflation, how much do you think you'll pay for a gallon of milk 10 or 30 years from now? Also, our modern day medical miracles means you're living longer: good news. The bad news: you're living longer and **that costs money.**

Mistake No. 5: Paying too much money to others.

Fees. Fees. And more fees. Some are overt. For example, mutual fund investors throw a lot of money away by buying front end load funds (paying as much as 5.75 %) instead of no-load funds or ETF's.

Some are covert. Like, the ongoing expenses these funds charge (usually in excess of 1.2% annually). Investment expenses take away a significant portion of an investor's annual returns in order to pay the fund managers and the sales commissions first. Be prudent about how you absorb fees. Typically, an Investment Adviser will save you a lot of money here.

Mistake No. 6: Trusting institutions.

This mistake is one of the least understood. Like, why shouldn't you trust your bank or brokerage firm? O.K. let's examine both and you decide how much you should trust their advice.

BANKS: A classic conflict of interest. Your best interests are served by accounts that pay you the highest interest rates. Your bank's best interests are served by accounts that pay you little or no interest at all, like passbook savings and checking accounts. Does your bank tell you to move your money somewhere else within the bank to get a higher return? Not usually! Does your bank push you into unsuitable annuities or mutual funds where they may have sales agreements paying them a lot of money??? Maybe.

BROKERAGE HOUSES: They also have a conflict of interest with their investors. Their first responsibility as a public company is to their shareholders…not their clients. Don't be lulled into thinking that they have your best interests at heart. The adviser might…the brokerage house, maybe not. And, guess who the broker works for and gets paid by? Who do you think the broker thanks for his 2016 Wall Street bonus?

Mistake No. 7: Believing publications & TV.

"Best Funds for Next Year and Beyond"
"The 100 Best Mutual Funds"
"These Stocks are Real Steals"
"Star Funds: Six Standouts You've Never Heard of"

Those are all real headlines from the covers of popular personal finance magazines. Study after study shows that the majority of stocks and funds touted in such articles fail to do as well as the average of other stocks and funds in their class.

Don't get sucked in! The investments being touted here were perhaps, last years' winners. This does not mean that they'll repeat this year. DO NOT chase performance.

Mistake No. 8: Failing to take little steps that can sometimes make a big difference.

Some examples:

- People fail to fund their IRA contributions by April 15^{th} .
- People leave money in taxable accounts when it could more appropriately go into IRAs, Roth's, 401(k) plans and annuities where they will save taxes by having their money grow tax deferred.
- Some employees don't maximize their 401(k) plan savings.
- Others may not maximize their employer contributions in their 401(k) plan savings by simply putting in matching dollars. This is free money.
- Investors have multiple small IRA accounts, paying an annual fee for each one instead of consolidating them into an account large enough to avoid a fee in the first place.
- People don't move their money from a checking account to a money-market deposit account at their bank. Or, they don't move their money from their bank's money-market deposit account to a non-bank money-market fund.

Each of these little steps makes a difference. And over a lifetime these little differences add up to one big difference.

Mistake No. 9: Accepting investment advice and referrals from amateurs.

If you had a serious illness, you'd consult a doctor, not a friend or relative who had an opinion about what you should do. You should treat your life savings and your financial future with the same care as you would treat your health.

Too many people, however, make big financial decisions based on things they hear. The lure of the hot tip is all but irresistible to some investors eager to find a shortcut to wealth. Unfortunately, many investors have to learn the hard way that there are no safe shortcuts.

Mistake No. 10: Letting emotions – especially greed and fear – drive investment decisions.

The two most powerful forces driving Wall Street trends are greed and fear. There's fear of rising interest rates, fear of inflation, fear of falling profits. Fear is why so many investors bail out of carefully planned investments when things look bleak – and since everybody seems to be selling at the same time… prices DO go down. That, in turn, reduces profits or increases your losses.

Greed blinds investors, making them forget what they ought to know. As I said earlier, if it sounds too good to be true, it probably **is too good to be true.** Too often, greed prompts many inexperienced investors – and some experienced ones too – to stuff their portfolios with aggressive assets that frequently lose them money.

There's another axiom in the investment business which has to do with trying to buy at the bottom or sell at the top. I call this the 20/60/20 rule. Those in the bottom 20% are trying to buy at the bottom and usually miss fantastic opportunities because the stock turned around and started heading north, and never came back their way again. They miss.

Same thing goes for those trying to get out at the top. The stock makes a 'high' then retreats (maybe forever). They miss too. If you're satisfied in the 60% range you'll beat the other two types…hands down.

Mistake No. 11: Focusing on the wrong things.

It's generally agreed that asset allocation – the choice of which assets you invest in – accounts for over 90 percent of investment returns. That leaves less than 10 percent of your gains being attributed to choosing the best stocks and the best mutual funds and timing the market (which you cannot do).

Most investors however, do things in reverse. They focus 90 percent of their attention on choosing funds and stocks and only 10% thinking about how to invest their money properly. This action greatly diminishes returns! And, once you do have proper asset allocation, remember that it applies only for today. Re-balancing is how you keep it *re-balanced.*

Mistake No. 12: Not understanding how investing works.

Diversification…diversification…diversification
The entire point of diversification is to always have some things in a portfolio that don't work the same way as the others. This year's asset class winners may be next year's asset class losers.

Another mistake: investors may put too much of their money into a single stock or mutual fund. Frequently, an investor's emotional attachment to one type of security takes on a life of its own. Then when their favored investment starts falling behind, the investor's confidence (stubbornness) persists. By the time the investor is finally willing to admit that things have changed, he or she has probably stayed way too long and lost way too much money.

Mistake No. 12 ½: Not using trailing stop-losses.

Trailing stop losses do 3 things for you:

1. They let you ride your winners up.
2. They get you out of a trade before you either lose your profits or lose more than you intended.
3. They give your investing discipline and take emotion out of your trading.

GOOD LUCK IN 2017