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SUMMER 2018

Don't Get Bitten by Tulips, Bitcoin, and Gold

Being in the financial services business, I'm often asked about my opinion on various topics and or fads. Let me back up by first looking at the very basics of American savings habits: where, when, and how much people are saving, as I come from a different perspective. I bring up American savings habits because there is a woeful low savings rate in this country (but improving). I have found that when a new phenomenon comes along, whether it is the tech stock that has skyrocketed or a new start up (must have) company, investors flock to "the new." This is how bubbles have been created, sustained, and then have an eventual collapse.

Look back at the seventeenth century. The Holland tulip craze ended in a huge economic collapse in the year 1637. "Tulipmania" was one of the first bubbles on record. Yet, people thought it could go up forever. Very often, it is the part of the investing public that can ill afford to be a part of these fads. It is the last thing that most investors need to take part in, especially those who haven't started building their retirement wealth.

Now, we have Bitcoin. It is different than conventional investing, as you acquire and sell it through unconventional channels, and it currently has a gray area on reporting gains and losses. It is a buy-and-sell situation that trades only on pure underlying trading activity. There is no underlying profit to be had. The argument is: there is only a finite number,

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New Email Addresses

Andrew and Polly have new email addresses. Please make sure you update!

Office/phone numbers remain the same.

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If you would like to receive this newsletter via email, please let us know.

Andrew D. Wade, CFP®

Don't Get Bitten

Continued from page 1

except they can always release more of the finite number. This is not a good way to accumulate wealth or even speculate in my opinion. It is expensive to acquire and dispose of. This is such a huge unfortunate distraction for the investing public. The advertisements now are going after retirement accounts and saying you don't have to worry about inflation with Bitcoin. Be careful if you go there, and only dip your toe in this if ALL of your retirement/savings accounts are adequate.

Gold is another one that is hard for me to consider actively investing in. It is often labeled as an investment hedge against other investments. The fear tactics to get investors to flock/invest continue to be astounding. Gold is also expensive to buy, hold, and sell. I have found that most who have accumulated estates over their lifetime skip this sector over their investing life.

If you have anxiety about the financial markets, I recommend a pure fixed annuity (not the annuity that pays income for life,) but an annuity that currently pays 3% for five years with no fees. You need to hold the investment for the full five years. Another alternative is the Municipal Bond fund, which can pay about 2–4%, but your principal does fluctuate. ❍❍❍

Sincerely,

Andrew D. Wade, CFP®
President

Emerging Markets and Tariffs?

In January of 2018, I traveled to Bangkok, Thailand. It was mainly a sightseeing trip, but I was able to meet with a mutual fund analyst that covers companies in the far east. There is significant economic growth throughout the region. Some emerging market mutual funds now pay a 3% dividend! These publicly traded companies have improved their fundamentals over the last few decades. There are many positives, but they still carry more risk because of the political situation as well as currency fluctuations. It is recommended that if you invest in this sector, your time horizon should be at least five years or even a decade or longer.

This sector has struggled for many years. Last year was terrific, yet this year has been more challenging because of currencies. I bring it up as most of us are glued to the large-cap sector, which continues to perform, and then other sectors get left behind. Sectors rotate over time; sometimes when you least expect it!

At a mall in Bangkok, we were shown a luxury car dealership. The locals said the tax to buy a luxury car was 100%. I was a little shocked as $100,000 was now $200,000. Upon returning to work back in Virginia, I did a little research on this tax only to find one article that talked about a 200% tax, not 100% to buy a new car. Regardless, these taxes/tariffs have been going on for years. I personally haven't found any one business person who thinks adding tariffs is a good idea. However, like all economic cycles, this will run its course, meaning goods will adjust per the new rules. Some sales may go up, down, or sideways, depending on the country you live in and the product you buy. The consumer always adapts and, subsequently, so will companies and governments.

Another interesting factoid about the far east is how many expatriates are now retiring overseas. The dollar goes farther in some of these countries. In Thailand, there were many retired Australians, Europeans, and Americans. The banking is much easier than it used to be, and of course, mobile phones work in many of these countries. ❍❍❍

Sincerely,

Andrew D. Wade, CFP®
President

Myths about College Planning

The college planning, admission, and financial aid process can seem opaque to both students and their parents. And given all the concerns about rising tuition and confusion about how aid is allotted, it's not surprising that some myths have arisen about the best way to plan for college costs.

Myth #1: We Earn Too Much to Qualify for Financial Aid

Some families with high incomes and a lot of assets may indeed not qualify for need-based financial aid. But chances are, you aren't one of them. By some estimates, only 4% of households have too many assets to qualify for financial aid. The truth is financial aid formulas are complicated, and if you don't apply, it's hard to predict how much or what type of aid you might get. Filling out the Free Application for Federal Student Aid (FAFSA) as well as any institutional aid forms is almost always worth it.

Myth #2: I'll Never Be Able to Afford a Private School

There is no doubt private colleges and universities are expensive, and there's a lot of debate about whether they're worth the cost. But keep in mind that while the sticker price may be high, private schools typically have more money to spend on financial aid than their public counterparts. And if a student is exceptionally talented, a private school may offer generous financial aid to encourage them to attend. If your child is considering private schools, do research on the net price, not the sticker price, to get a sense of what it might really cost to attend. You should be able to find calculators to help make these estimates on schools' websites.

Myth #3: It's Better to Borrow Money from My Retirement Accounts Than to Take out Student Loans

Borrowing money from your 401(k) or other retirement accounts to pay for college is rarely a good idea. Unless you've oversaved for retirement (and few people have), you're going to need that money when you stop working. Pausing your contributions or drawing down your balance will set you back significantly. While you don't want to overburden your kids with debt, a small amount in student loans may give them skin in the game, so to speak — modest student loan debt at a low interest rate won't jeopardize your child's future. And by keeping your retirement savings safe, you'll be less likely to have to turn to your children for financial help in the future.

Myth #4: I'm Not Sure My Child Will Attend a Four-Year College, So I Shouldn't Bother with a 529 Plan

The funds you put in a 529 plan can be used for qualified expenses at a wide variety of schools, including community colleges and accredited trade and vocational schools. You can even use the money at some foreign schools. Plus, if your child ends up not needing the money, you can name a new beneficiary for the funds, like another child, your brother or sister, a niece or nephew — even yourself. In the worst-case scenario, you simply use the money for noncollege expenses, though that comes with a penalty. But whatever you do, don't let the chance that your child won't attend school stop you from saving.

Myth #5: My Child Is a Genius or Great Athlete Who Will Get a Scholarship

Scholarships are a great way to help for college, and more than $3 billion in aid for education is awarded to students every year. But unless your child is a true phenom, you can't be sure he/she will get a piece of that pie — or if he/she does, how much. Plus, you really should start saving for college when your children are very young.

Myth #6: We Should Put All the Money We Save for College in a 529 Plan

Not necessarily. A 529 plan has many advantages, like tax-free withdrawals for educational expenses. But you may want to diversify your savings. If your son or daughter does get a scholarship, drops out, or doesn't attend college, you can use those other savings however you want without paying a penalty (unlike a 529 plan).

Myth #7: I Should Put College Savings in My Children's Names

It certainly seems like it might be a good idea to keep your child's college savings in his/her own name. But that's not always the case. For one, college financial aid formulas generally see 20% of a student's total assets as being available to pay for education every year, compared to just 5.6% of a parent's assets. More assets in their name could translate into less financial aid for your child. Plus once your child turns 18, that money is his/hers to do with as he/she wishes (unless it's money held in a trust with restrictions on its use). And not all young adults will have the wisdom to use that money wisely.

Please call to discuss college planning in more detail. ❍❍❍

5 Estate-Planning Tips for Dependents

When you have people who are dependent on you, like children or elderly parents, you want to ensure they will be well taken care of in the event that you can no longer care for them. Here are five tips:

✔ **Hire an estate planner —** An estate planner will make sure you think of and lay out every aspect of your estate plan. Estate planners stay up-to-date on tax rules and other laws and regulations, so they can help you ensure that your plan is legally and financially sound.

✔ **Choose a guardian —** Choosing someone to take care of your children in the event that both you and their second parent are deceased is a huge decision to make and deserves great care and time. You want to choose a guardian who loves your children and has the ability to take care of them into their adulthood. That means a guardian who has the financial ability to care for your dependents, as well as the physical capacity to do so.

The goal of choosing a guardian is to make sure your children are loved and taken care of adequately, they receive a good education, their lives remain as stable as possible, and they receive emotional support to cope with your loss. Ask early (and often) if he/she is comfortable being the guardian of your child or children.

✔ **Develop a trust —** A trust is often used when people have minor children or dependents who are incapable of taking care of themselves. As the trustor, you put a trustee in charge of the beneficiary's property and/or assets until the beneficiary meets requirements such as reaching a certain age or milestone. Just like choosing a guardian, make sure you take time in choosing a trustee who is trustworthy and capable.

✔ **Start as soon as possible —** As soon as you have a child or otherwise become responsible for a dependent, it is important to get an estate plan in place to protect them in case of emergency.

✔ **Reevaluate often —** Any time major changes happen in your life that impact what you would leave behind and who you'd want to leave it to, revisit your estate plan.

You may have no control over when or how you will die, but you do have control over what happens to your dependents. Please call to discuss this further. ❍❍❍

IT Happened!

I'm not sure if any of you shop at Harris Teeter on Thursdays, but I was recently introduced to a new phenomenon. It seemed like just yesterday, I was carded at the grocery store. This time was different. The cashier voided out the total before asking, "Can I give you the senior citizen discount?" She then tilted her head before I had a chance to respond and said, "Because it is Thursday!" I was pretty startled. She very enthusiastically summed up before any proof, "You just have to be age 60 now for 5% off."

I still have more than a decade to go, but I guess I can appreciate that at least one out there may be thinking I've reached a mature age. There are a few benefits to getting older! ❍❍❍

Sincerely,

Andrew D. Wade, CFP®
President

"Remember that everyone's life is measured by the power that individual has to make the world better — this is all life is"

~ Booker T. Washington