Wealth Builder

SPRING 2017

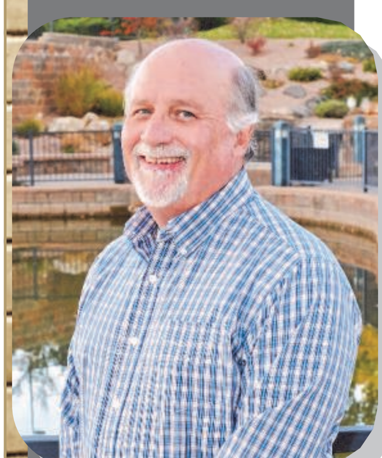
LEGACY WEALTH MANAGEMENT, LLC

In this Issue:

Oh, Taxes By Dan Funderburk, CFP®

Here we are again – early spring. This time of year brings warmer weather (and the occasional snow storm), birds chirping, spring cleaning, and… TAXES. There's a reason the saying goes that the only sure things in life are death and taxes. For those fortunate enough to have an income, taxes are simply unavoidable. Everyone seems to have an opinion on taxes, and no one seems to like them. I figured I would take this opportunity to share my opinions on the matter.

Continued on page 2



Continuing Education-Pops Style By Mike Berry, CFP®

It seems like a great deal of my time is spent on continuing education. I need 30 hours every two years for my CFP® designation; 24 hours every two years to maintain an insurance license; annual hours and classes to maintain my securities licenses, and anti-money laundering courses, in case any criminal elements or terrorists here in Grand Junction come in looking to launder money out to some foreign entities. I whine about it, but don't get me wrong, it is important to keep up one's skills and education in an ever changing world.

I also just got a crash continuing education course on parenting a preschooler. Debbie and I went to Phoenix for four days to watch Declan while his mom and dad took a break with a long weekend in New York City. I felt confident that we would be great, having raised two kids. Kind of like riding a bike. Once you learn it, it comes back pretty naturally.

Continued on page 5

Oh, Taxes *Continued from p. 1*

> *"A great sign of contentment and good stewardship is a person who pays taxes with thanksgiving."*

First, I think tax reduction is a completely valid objective. Uncle Sam sets the rules, but we can do everything in our power within those rules to pay only what is required and not a penny more. Tax evasion, on the other hand, isn't a valid goal. Not only is it illegal to cheat on your taxes, it's also wrong from a moral and even biblical standpoint. Everyone knows it's wrong to steal, and cheating on your taxes is stealing from the government. Jesus even commanded us to pay taxes. "Give to Caesar what is Caesar's, and to God what is God's." Mark 12:17

So how can we reduce the taxes we owe while staying within the rules? Thankfully there are a number of ways. You can contribute to your 401k or IRA, contribute to your Health Savings Account (HSA), prepay your property taxes, or donate to charities. If you own a business, you can buy equipment or incur other expenses to lower your current tax bill. Additionally, there are a number of tax credits you might be able to claim. There are hundreds of ways to legally reduce your tax bill, and the tax code is incredibly complex. Hiring a capable CPA is generally a good idea because the savings a good CPA can find for you will normally cover much more than their fee.

Odds are, that even after taking advantage of every available tax break, you're still going to owe a decent chunk of your income to the IRS (especially if you're a high wage earner). How can we make this fact less painful? I believe it's all a matter of perspective.

A great sign of contentment and good stewardship is a person who pays taxes with thanksgiving. One who can approach taxes with a thankful heart recognizes that their income is a direct gift from our Lord, and the taxes they owe are only a symptom of that provision.

Additionally, we live in a great country. We have good roads, clean water, and a relatively safe culture because of our government funded organizations. Even if you don't agree with everything the government does with our money (and who does?!?!), I think we all could agree that this is still a good country to live in, and the government is charged with helping to maintain that status.

So this tax season let's try to remember that taxes are simply a symptom of God's blessings, and let's pay the IRS what's due with thanksgiving. After all, we gain nothing by griping about taxes. Just like we gain nothing by griping about death, and I seem to recall something about both of these things being certain in life... Maybe we'll be better off by actively preparing for things that are unavoidable so we're prepared when the inevitable occurs. Sounds reasonable to me. ♦

4%. A Rule or A Guideline? By Jeff Funderburk, CFP®

How much do I need to retire? How much can I spend in retirement? How much do I need to save each month to fund retirement? When can I retire? These are some of the most common questions we as financial advisors get from clients and non-clients alike. On the surface they are all different questions and could all be answered in a variety of ways. But in reality, all these questions are asked for the same fundamental goal we all have – not outliving our money in retirement.

If you search for an answer to any of these questions you will no doubt come across one of the more widely accepted answers when it comes to saving for retirement, as well as spending money during retirement – the 4% rule. In fact, I see several articles each year in various financial and non-financial publications addressing this same question; is the 4% rule still valid?

And you can find well-articulated, well-supported arguments for and against its validity. So what is it, and is it a hard-and-fast retirement rule, or has it evolved to be more of a guideline?

The 4% rule is a method created in 1994 by Bill Bengen, a now retired financial advisor, to help determine safe retirement withdrawal rates. In its simplest form the rule states that if you never withdraw more than 4% of a retirement portfolio then it has a good probability of lasting you through a prolonged retirement period (30 years). It is widely used to simplify some of the more involved, and more accurate in my humble opinion, methods of retirement income planning. It can be used to determine how much you need to have saved in order to fund a specified annual retirement amount, or to determine how much you may spend from your existing portfolio annually in retirement.

To calculate the amount of money you need to have saved by day one of retirement if you want to be able to spend $50,000 per year from your investments you simply divide $50K by 4%, which is $1,250,000. Or conversely, if you are at day one of retirement and you want to know how much you can safely withdraw, you just divide your portfolio balance by 4%. So someone with a portfolio balance of $500,000 could safely withdraw $20,000 according to the 4% rule.

This strategy has been used successfully by many people for many years, and I think it still has its place. But I argue that it be used with the understanding that it provides only a very limited approximation of retirement income. More detailed planning and analysis is required to help ensure a secure retirement.

Continued on page 6

I Can't Want To! By Linda Eden-Wallace, CFP®

What is it about goals that make them so hard to accomplish? Is it that most of the time we set goals that are not achievable? I suppose that sometimes we raise the bar too high, but when I think about my life goals and those others tell me they want to accomplish, they sound pretty doable. So why is it every year those same goals show up at the top of the list of our New Year's resolutions? Losing weight; starting an exercise program; or a more disciplined saving program (you knew I would bring that up, right?) and so on. It's because with most of our goals that are completely achievable, the things we know we need to do to accomplish them are often overridden by the things we'd rather do. When my Godson was little and he didn't want to do something he would say, "I can't want to!" I totally get it Justin! Sometimes I just *can't want to do what I know I should do.*

This brings me to behavioral investing. This is a concept I never heard of when I was studying to be a financial planner. I had no idea investors' financial decisions were so wrapped up in their emotions! Unfortunately, we humans are all prone to succumb to mental pitfalls. As investors, our main problem – and even our worst enemy – is likely to be ourselves. Evidence of this can be found in the annual Dalbar studies, which measure the actual returns achieved by investors rather than the returns from a passive index like the S&P 500. Over the past 20 years, the S&P 500 index has generated just over 8 percent on average each year. Active managers can charge about 1-2 percent so you might expect individual stock investors to earn about 6-7percent per year. It turns out individual stock investors have reduced these returns to a paltry 1.9 percent per year.[1] This is the result of buying and selling at just about the worst possible times. You may relate to this the next time the market goes down 20%, and every talking head you hear on TV is telling you *this current "crisis" is different and it really IS the end of the world as we know it!* Discipline to do the right thing is more about the ability to not react – to not do the *wrong* thing by panicking out of the market at the moment of maximum pessimism. The ability to stick with our long-term financial plan created to fund our most important multi-decade goals has become even more difficult with the 24/7 news cycle and the endless "experts" pressuring us to *do something smart and timely right now!*

"Discipline to do the right thing is more about the ability to not react – to not do the wrong thing by panicking out of the market at the moment of maximum pessimism."

It is human nature to succumb to our fears and greed, and that will always be our biggest battle in achieving our financial goals. When life seems uncertain and you feel yourself succumbing to the fatalistic news of the day, we will be here to remind you that if your goals haven't changed, don't change your plan. And if your plan hasn't changed, don't change your portfolio. ♦

[1]The Little Book of Behavioral Investing, By James Montier

Continuing Education-Pops Style *Continued from p. 1*

It didn't take long before I realized that I had forgotten what it was like to have a three year old. To begin with, this child was at the beginning stages of potty training. He also carried an "I can do it myself" attitude. I quickly discovered that he could not do it himself, because his short attention span combined with his lack of control and aim meant that very little of his product hit the intended target when he used the big people's toilet. His potty chair provided much better results. Though for some unknown reason, we couldn't empty the bowl after each use, we had to wait for him to "fill it up."

I was also refreshed on just how conniving three year olds can be. He uses alternative facts better than our President. While playing with his super hero Lego characters, he was telling me that the Joker and Mr. Freeze were good guys and that Batman needed to be put in jail. Before meals he would always say, "I have already washed my hands," in hopes he wouldn't have to wash before eating. "But Declan, I just saw you picking your nose," I said. "I didn't," he would say. Back and forth we would go, which would eventually lead to another thing I had forgotten about three year olds. They want to "make a deal."

"Here's the deal, I'll wash after I eat." Or, "I'll get in bed if you read me just one more story book, deal?" The kid was trying to make more deals than Monte Hall and he only wanted deals where he won. Who does that remind you of? One thing I quickly remembered was that he was still smaller than me, so Pop's didn't have to deal, I could simply pick him up and put him in front of the sink or into the bed.

"The kid was trying to make more deals than Monte Hall and he only wanted deals where he won."

I also got re-educated on how a three year old can tune you out, or how quickly they can get distracted. I'm convinced that if we wanted to get somewhere with Declan on a Monday, we had to begin the process the day before. In my world, I'm used to people doing what I reasonably ask within a reasonable time. That was not my experience with my grandson. After asking him 20 times to come over and put his shoes on so we can go to Legoland, he looked up from his toy, surprised at the tone of my voice and the color of my face. "Okay" he would say and then proceed to wander through the hallway and the next room before finally turning the corner and coming my way.

Now, you all know I love my grandson, and wouldn't trade him for anything in the world, but I would trade any of my professional continuing education courses for just one on how to parent kids! ♦

4%. A Rule or A Guideline? *Continued from p. 3*

Here are 3 big challenges I see with the 4% rule in today's world:

Life expectancy – we all know that people are living longer today than any time in history. It appears this trend will continue, with people expected to live longer and longer. That means your money has to last longer and longer which can put strain on the 4% withdrawal rate, which was created more than two decades ago. Perhaps it needs to be adjusted a little lower to account for people with longer lives?

It's too generic – No two retirement savers/spenders are the same. They all have different goals, needs, wants, timeframes, risk tolerances, asset allocations, etc. The 4% rule could work perfectly for someone with fixed retirement expenses who maintains a standard 60/40 stock-to-bond asset allocation. But it may not be appropriate for someone that is much more conservative and has great variability in their retirement needs. Retirement income planning should be individualized to provide real value.

It's too static – Just as no two retirement savers/spenders are equal, investment returns and retirement expense needs/wants are extremely variable as well. Should it still be considered safe to withdraw 4% if the market has declined by some amount and your portfolio lost money over the short-term? What if you have an unplanned medical expense that needs to be partially funded from your investment assets? Is 4% still safe? Or the market had a stellar year and your portfolio made money, should you be able to withdrawal more than 4%? The answer to all these questions is maybe yes, and maybe no, and that's the point. Because the goals of, and demands on, investment portfolios vary greatly from one portfolio to the next, the amount available to safely withdraw should vary as well.

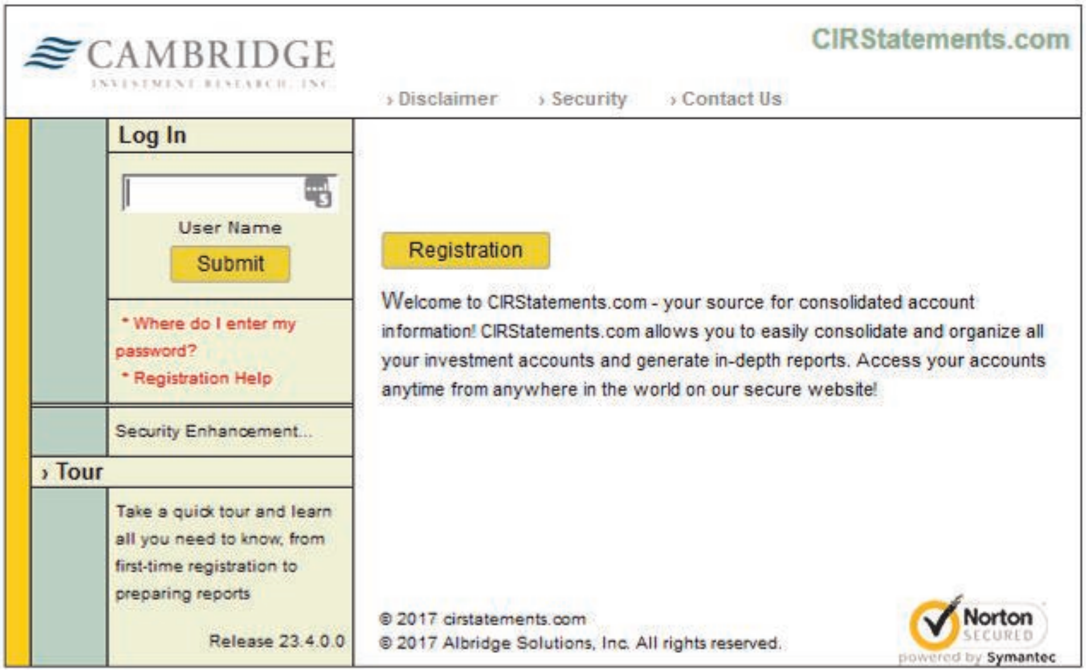
While I agree that the 4% rule is a starting place for retirement income planning, I am a huge advocate of engaging in some individualized critical thinking and planning to help ensure people don't outlive their money. It's worth it. And if you don't want to incur the brain damage in doing the more complex, and can I say boring (to most people), retirement income planning yourself, outsource it to a professional. After all, it's not boring to us. It's a significant part of what we do every day, and it's an area where we can add real value to our clients' financial lives. ♦

"It's a significant part of what we do every day, and it's an area where we can add real value to our clients' financial lives."

Did You Know?

Did you know that you can view your account portfolio online?

Just go to www.cirstatements.com and register for access following the instructions below. Once registered, you will be able to view all accounts you have with us in one place. When you login in it will default to your current balance, but you can also look at past balances and activity.



- Go to www.cirstatements.com and click on Registration.
- Enter your SSN and the temporary password, LWMBEF, then enter the word in the image provided.
- Follow through with the remaining steps, including creating a user name and password.
- Once complete, your registration will come to our office for approval, and once we approve your access, you will be able to sign in and view your accounts.

TIP: To view your entire household (i.e. spouse and child accounts) – click on the portfolio box, choose the family portfolio, then click Go to refresh the screen. Now you will see all of your accounts at once.

If you have any questions, please touch base with Sondra, by calling the office or emailing, sondra@legacywealthgj.com. ♦

372 Ridges Boulevard • Grand Junction • Colorado • 81507 • (970) 241-5143
www.legacywealthgj.com

If you would prefer to receive a paperless copy of this newsletter via e-mail, please notify Sondra at Sondra@legacywealthgj.com