Wealth Builder

SUMMER 2015

LEGACY WEALTH MANAGEMENT, LLC
THE BERRY-EDEN-FUNDERBURK GROUP

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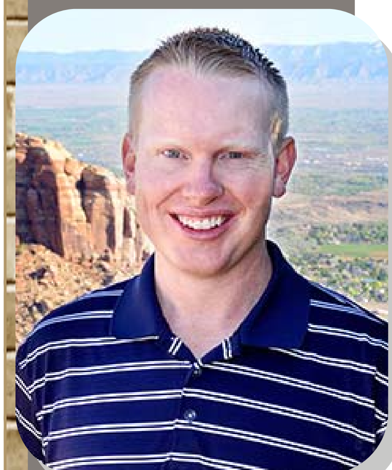

Confessions of a Recovering Engineer

By Dan Funderburk, CFP®

If you had told me while I was in high school that I would be giving financial advice for a living within the next decade I would have thought you were crazy. First off, financial advice was something offered by balding middle-aged men (no offense, Mike), not 20-somethings that are just in the beginning stages of their own financial journey. Secondly, I was on my way to the Colorado School of Mines – one the top engineering schools in the nation. I was good at math and science, so engineering was clearly the field for me.

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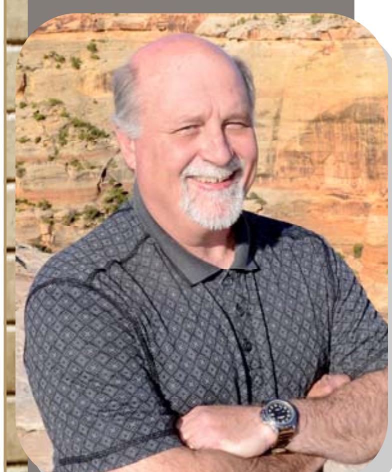

Low Returns, Forever? By Mike Berry, CFP®

I've been pondering whether or not we may be in for a prolonged period of low investment returns or not. With the low interest rate environment we've been in now since 2008, the yields on bonds and CD's have been virtually zero. Stocks have had a nice six year run off their lows, but are corporate profits growing enough to justify higher stock returns? Forever is a long time, but I can make a case for low investment returns for a number of years.

Let's start with demographics. Our society is aging, meaning there are more people 65 and older than ever before and another 76 million baby boomers either on the way or already there. Adding to this is the fact that we are living longer. The aging of our population means that we have more people relying on the economy and government for things like Social Security and Medicare and not contributing to the economy by being productive workers.

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Confessions...

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If we happened to cross paths again, say four years after our first conversation and you told me I would be giving professional financial advice within the next three years I would have thought you were *really* crazy. I had just graduated from Mines with a Civil Engineering degree and Hollie (my wife) and I were off to the Great Northwest to conquer the world and practice my newly minted engineering skills. My career was just starting, but the trajectory was outstanding.

Fast forward six more months, and your predictions would have started to sink in. I had learned that my particular engineering job was comprised of 10 hours a day in a cubicle with my headphones in, lots of ridiculously complex calculations, and very little interaction with the outside world. I would do this for about three months designing a concrete foundation, see pictures of the foundation being built and buried, and then I'd be on to the next calculation package. For me, that added up to about zero fulfillment from my job. My dad had always told my brothers and I that you spend too much time at your job to not love what you do, so I knew something needed to change, and the sooner the better.

Fast forward another six years, and here we are today. After two years of engineering I went back to school (the College for Financial Planning) and made an early career change. Hollie and I moved back home to Grand Junction and began establishing our new life. We have one beautiful daughter (Grace) and another bundle of joy on the way.

I need to tell you – I couldn't be happier about the change. After five years of providing financial advice to folks, I have found that this job is amazing. I still get to "put on my nerd hat" when dealing with investment research and allocations, but the results of my work have changed from seeing my designs literally buried in the ground to walking with families as they achieve their hopes and dreams. I feel very fortunate and blessed to work with and around such amazing people.

All of this is to say that if God permits, I'm here to stay. I love this life we have here in Grand Junction, and I love the families I've been able to meet through work. To those of you I've had the pleasure to work with; thank you for making the first five years of this career the blessing that it has been. To those of you I have not yet met; I look forward to shaking hands in the near future. However, consider yourself warned: I still have some engineer tendencies (although I'm always trying to eradicate them). If we are discussing your financial life and I start boring you with statistics and numbers, you have my permission to slap the table and snap me out of it. ♦

"If we are discussing your financial life and I start boring you with statistics and numbers, you have my permission to slap the table and snap me out of it."

Low Returns, Forever? *Continued from p. 1*

Another, somewhat related factor, is that currently Social Security benefits are tied to inflation through cost of living increases. So it benefits the government to have low inflation so that these benefits don't bankrupt the country any sooner than they already will. My friend, Jim, and I have the inflation discussion all the time. The inflation rate that the government publishes just doesn't match what you are feeling in your pockets because they remove the two areas that affect most people; food and energy. So, as long as inflation is "low," there is no pressure on the Federal Reserve to raise interest rates.

Globalization has had a dramatic effect on wages, especially here. Because the standard of living here is much higher than the rest of the world, our workers demand higher wages. Real wages here in the US, when factored for inflation, haven't risen in over a decade. The reason is that with a global labor force, many companies can find cheaper labor elsewhere. This trend has kept wage pressures in the US down. If wages aren't rising, people have less discretionary income to spend, which means they buy fewer computers, TV's, cars, etc. That lack of demand keeps prices lower, which also gives the Federal Reserve reasons not to raise interest rates to combat inflation.

Lastly, is our federal debt. The amount of money we have borrowed as a country is staggering. The interest payments are enormous, and it's not getting any better. If we didn't have the debt, the money that we are now using to pay the interest could be used for more productive purposes, such as rebuilding our infrastructure (roads, bridges, railroads, power grids) which would create some good paying jobs. Or it could simply be returned to taxpayers through reduced tax rates, which would likely give the consumers more discretionary money to spend. This would also have a stimulating effect on the economy.

The headwinds against our economy that I have laid out lead me to believe that our economic growth will be in the 2% range for the foreseeable future; At that rate, inflation won't be a problem, so there won't be much pressure on wages or prices which means the Federal Reserve can keep interest rates low. Also, at a 2% growth rate, corporate profits won't grow by much more than that, so we won't see much increase in dividends paid or in appreciation of stock prices.

It is my belief that we as advisors and investors need to make sure we have adjusted our projections and expectations to reflect this possible low return scenario. We are in the process of doing just that, so if you have any questions about how this low rate scenario might affect you, please come visit with us. ♦

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It's Just a Number By Linda Eden, CFP®

I find that as I've gotten older I hear the phrase, "Age is just a number" more and more often. Funny, even if it's just a number… my number feels a little older these days!

I read an article today about the current bull market which as of May 6, 2015 is 2,250 days old and the 3rd longest in U.S. history. The author commented on all the talk about the market being "overdue" for a correction. But he pointed out… age is just a number for stocks! His point is that business cycles don't die of old age. They tend to die of overheating (think tech and real estate bubbles) or major changes in the economic environment such as Fed policy change or geopolitical events like wars.

"Business cycles don't die of old age. They tend to die of overheating… or major changes in the economic environment."

Currently, the bigger risk to the stock market isn't the length of the business cycle but rather the interest rate cycle. The market has been speculating about rising interest rates for several years now and eventually it will be right. Interest rates will go up. Get used to it. Change always un-nerves the market and rising interest rates is a "change" we haven't experienced since 2006, when the Fed last raised rates. They slashed rates in 2008 to near zero to stimulate the economy and the Fed has kept them there ever since. The Fed won't say when they plan to start raising rates, but in March, Fed Chair Janet Yellen said, "Even after the initial increase in the target funds rate, our policy is likely to remain highly accommodative." Accommodative. I like that word. It sounds so… accommodating! What it really means is that rates will stay low for some time to come. It means the Fed will raise rates very slowly and in very small increments and then take a "wait and see" approach.

When the Fed finally does start raising rates, after the initial knee jerk reaction, investors will most likely realize that rising interest rates mean the economy is finally strong enough after all these years to support higher rates. This is a good thing! And while bank customers will appreciate a little higher return on their CDs, borrowers are likely to enjoy relatively low rates for quite some time. The last thing the Fed wants to do it stall this recovery by raising rates too much too quickly. ♦

Digital Estate Planning by Serenity Melnick, CFP®

In the olden days estate planning used to be pretty straight forward. You set up beneficiaries on all your accounts and wrote up a detailed Will to make sure your property and possessions were passed along as desired. It's not so easy today. In today's digital era what would happen to your Facebook account if you passed away? Your digital pictures? What happens to your PayPal account, your iTunes library, your digital wallet, Apple Pay, bill pay account or your blog? These are some of the overwhelming questions that our industry is starting to grapple with and as of right now, there is no uniform legislation that dictates how the digital assets of a deceased are supposed to be handled.

And this problem goes way beyond just trying to shut down a decedent's Facebook page. If your spouse were to suddenly pass away, would you even know how to access and pay the bills? Would you know how to access your spouse's email? Do you even know what bills need to be paid each month? If you are anything like me and my husband, the answer is probably no and that poses a big problem. I pay all of our personal bills online each month and Marc takes care of the business side. Neither of us has any idea what bills even need to be paid, let alone what each others log in information is. I haven't seen an actual paper bill or statement in 7 years. This works out fine today, but what about the future?

"If your spouse were to suddenly pass away, would you even know how to access or pay the [online] bills?

Last month Marc went on a mission's trip to Japan with our church. After he boarded the plane for his 12 hour flight I had a moment of panic—if something happened and he never came home I would have no idea how to pay any of our business bills or even how to log into his computer. I decided that day that we needed to do some digital estate planning. We personally use Lastpass— it's an online password manager that stores all of your websites and log in information. There are numerous ones available (Keeper, Dashlane, 1Password) for both desktop and mobile use and can be an absolute lifesaver in our password happy world. Password managers work by encrypting all of your information as well as helping you generate extremely strong passwords that you wouldn't be able to remember off the top of your head (T;Y6Rg19g6k). This not only makes all of your log-in information more secure and less hackable, it saves you brain power because you don't have to remember every single User ID and password. Though less secure, you could also make a joint Excel spreadsheet that lists all log-in Information or keep a password notebook in your fire proof box. Just make certain you update the information as it changes.

However you choose to plan for your digital assets, make sure that you are planning. Our digital footprint is only going to get larger and it's essential we start thinking about and planning for these assets. ♦

Making My Way Home By Jeff Funderburk, CFP®

For those of you I've had the pleasure to meet – nice to have met you; you may or may not know some or all that I'm about to share. For those that I have yet to meet – I look forward to making your acquaintance; I'm sure you do not know any of what I'm about to share.

I am a local Grand Junction kid. While I was born in Denver, my parents moved the family to the Grand Valley when I was just about a year old. My Dad, as many of you already know, was a Certified Public Accountant early in his career and a financial planner for the past 15 or so years. He's the reason I'm in the business. My mom wore several hats throughout her career. She was a registered nurse, stay at home mom, counselor, and most recently getting into volunteer work. So you could say I received a healthy dose of savvy financial education from Dad mixed in with generous amounts of professional, emotional and mental support from Mom, the counselor.

"We all feel truly blessed that our children get to grow up with grandparents, aunts, uncles and cousins just a bike-ride away."

I have two brothers, one older and one younger. Yep, I one of those very special "middle child" persons. My older brother works in town as an oral surgeon, and my younger brother – well you've already heard from him. We all went our separate ways after high school (we all graduated from Fruita Monument), but have since found our ways back to GJ to raise our families. If you would've asked me five years ago if I thought our immediate family would all live so close together in the future I would have said absolutely not. We all feel truly blessed that our children get to grow up with grandparents, aunts, uncles, and cousins just a bike-ride away. Granted, some of the kids are still learning to walk so the bike-rides are some years away.

After high-school I attended Colorado State University in Fort Collins along with several friends and that older brother I mentioned earlier. After striking out in finding a job for six months after graduation I received a call from a company I had never heard of: KMPG, LLP. That phone call set my career path for the next 8 years. In case you're not aware KPMG is one of the "big four" accounting firms in the country. Needless to say, I started my professional career as a very small cog in a very large machine.

I worked for KPMG in their advisory practice based in Denver and grew by leaps and bounds both in my professional life and my personal life during my time there. I would not change starting my career with them, and I'm extremely grateful for Monster.com (which is where the managing partner found my resume and was able to place that fateful phone call to me).

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Making My Way Home *Continued from p. 6*

While working in Denver I was fortunate enough to meet my wife, Millie. We actually met through one of those online dating services (yes, people do actually use them; and yes – they actually work). Millie is originally from Kansas City and was living in Denver finishing up her Doctor of Psychology degree. She is currently transitioning out of being a practicing psychologist in town to staying home with our kids; a move that we are both extremely excited about. We just celebrated our fifth anniversary and in those five years we have had two children. Our daughter Annie is two, and our son Jordan will turn one in July. We love doing things as a family, both our little nucleus, and with our extended family. We love to be outdoors – of course we do; we live in Colorado, right?

So, to sum up: local kid grows up in the Grand Valley, graduates high school, leaves town for college, graduates college and begins his career, meets the girl, falls in love & marries, changes careers, moves back home, and starts a family….fairly standard stuff if you ask me.

And now I, Jeff the husband, father, and financial advisor am excited for the next several chapters in my story and hope to meet you all along the way. ♦

Jeff and Millie with Annie and Jordan

Dan and Hollie with Grace

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