Wealth Builder

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LEGACY WEALTH MANAGEMENT, LLC

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Talkin' 'Bout My Generation—Part 2 By Linda Eden-Wallace, CFP®

The following article is Part 2 in a two-part series. To read the beginning, please refer to our Summer newsletter, which can be found on our website under the blog tab.

From the time the Boomers were born they've impacted society and will continue to do so; especially regarding retirement. Most Boomers don't view retirement simply as a time to stop working, but rather as a new chapter in life. Many want to continue making some kind of a contribution, whether paid or not, once they leave their full-time career. Staying mentally engaged and having social interaction is known to be a major factor in improved happiness and mental clarity.

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Mind The Gap By Dan Funderburk, CFP®, CKA®

"The gap between more and enough never closes." – Jimmy John

Yep, you read that right, I'm quoting Jimmy John, the famous sandwich maker. This quote is hanging on the wall in their shop. I noticed it while waiting for my delicious sub a while back, and was amazed at the simple yet profound message it conveys.

One of my main goals as a financial advisor is to help people find contentment in their lives. My years in this profession have made it very clear that contentment has nothing to do with account balances, houses, cars, or toys. I have worked with folks with many millions of dollars and folks with a negative net worth. I've seen contentment shine through people in both camps, and I've seen discontent and fear from people on both sides as well. Why is this true?

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Talkin' 'Bout My Generation—Part 2 *Continued from p. 1*

In the past, the focus of retirement planning has been on saving and investing money during your working years so you can live on passive income in retirement. But retirement doesn't have to be an end to active earning and learning. Don't fall into the trap that you'll be forced to live on fixed income the rest of your life. Reinvention is the new normal. Expect to have freedom and engagement too.

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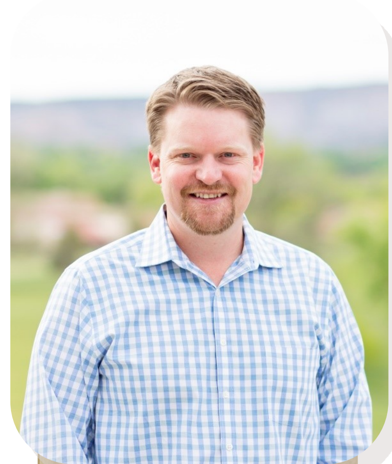
The fact that Boomers are working longer is encouraging and realistic given increasing lifespans. For a husband and wife age 65 today, there is a 73% chance that one of them will be alive at age 90 and a 47% chance one will be alive at age 95. Planning for a 30-year retirement is not unrealistic. The average person starts taking their Social Security benefit at age 62, but working longer allows a person's benefit to grow around 8% per year. Doing so may increase it even more since it's based on your 35 highest-earning years of income. Working longer also gives you the opportunity to save more. With many Boomers relying heavily on Social Security in retirement, maximizing those benefits makes sense. You might even consider living on your savings while letting your benefit grow. Deciding when to begin taking Social Security benefits is an important decision and no one answer is right for everyone. It would be wise to seek advice before making that decision.

From a timing perspective I've found many people base the timing of their retirement in part on healthcare costs. Retiring before you're eligible for Medicare can be costly. The cost of paying for individual health insurance can be as much as a mortgage payment or more. This can come as a shock to people if they're current healthcare costs are low due to benefits they receive at work.

As with any decision, having the option to make choices is empowering, and there are many choices to make in retirement. In the recent Insured Retirement Institute report[1] (referenced in Part I in last quarter's newsletter) 85% of Boomers surveyed believe they are better prepared for retirement because of the work they've done with a financial planner. At Legacy Wealth Management we realize we're life planners as much as we are financial planners. We feel blessed to work in this capacity every day. It is our aim and honor to help see you and your loved ones successfully through your journey… even if you aren't a Baby Boomer! And to all you Gen X and Millennials out there, my advice to you is watch and learn! ♦

[1] http://www.irionline.org/resources/resources-detail-view/iri-baby-boomer-expectations-for-retirement-2017

Free Tuition. Hey, It's A Start By Jeff Funderburk, CFP®



Healthcare in America is broken. I think we can all agree with that statement. We can also agree that it is a very complex issue, with several causes, each equally complex in their own right. Among them being for-profit insurance companies, a fiercely partisan government whose members place the politics of things ahead of actually fixing the things, and the high cost of education for our nation's doctors. It is this third cause which surprisingly has given rise to a glimmer of hope in the otherwise bleak healthcare/education landscape.

The New York School of Medicine recently announced that it would cover the tuition of all its students. All current and future students are included. There are no strings attached. No merit-based criteria. No hidden "gotchas." All the students are required to pay is room & board. The $55,000 annual tuition is no longer their responsibility. Hard to believe, I know.

The reason the school cited was concerns over "overwhelming financial debt" facing graduates. Many graduates enter the medical professional field with hundreds of thousands of dollars in student loans. This in turn, many schools believe, causes students to increasingly pursue top-paying specialties instead of careers in lesser-paying fields such as family/pediatric medicine or research. Imagine a world where our doctors practice the medicine they are passionate about rather than chasing the dollars they need to relieve their debt burden. Imagine a world where these doctors recognize the gift they've been given and feel they should pay it forward.

"I also know that if I'm to be optimistic about the future of healthcare and education, something has got to change."

Is free medical school tuition going to fix healthcare? Of course not. But hey, it's a start. Could this be the first drop in a coming wave of universities to explore/embrace alternative solutions? Maybe. As more of America's doctors are spared suffocating student debt, what might they be free to contribute?

Free tuition has been debated on a national scale, and as holds true for all complex issues, there are valid points on both sides. I know that somebody has to pay; in NYU's case they have funded most of the cost already thanks to very philanthropic donors that recognize something's got to change. I believe that students need to have some skin in the game in their own education. Nobody wants to fund a four-year kegger for those students who look to take advantage. I know that student debt is only one contributing cause of the high cost of healthcare, and probably not even the most significant. Yet, I also know that if I'm to be optimistic about the future of healthcare and education, something has got to change. It is refreshing to see an institution as influential as NYU medical school place the greater good ahead of the bottom line. Here's to hoping others take note and we begin to see the change that we so desperately need. ♦

MIND THE GAP *Continued from p. 1*

Comparison kills contentment

Advertisers spend billions of dollars every year with the goal of *making us discontent*. We see hundreds of ads every day that show us products and services that are "better" than what we currently have. How often have you seen someone pull out the newest iPhone and immediately thought about how much better that phone must be than yours? Sure, your phone is ok, and it still works fine, but how much *more* would you like your phone if it was brand new like your friend's?

Without the direct comparison to our friend's new phone, we'd probably be perfectly content with the phone we have. It's interesting that seeing something we *don't have* often creates dissatisfaction with what we *do have*.

Let me tell you a secret – there's *always* a newer phone. Even if you buy the latest phone as soon as it comes out, it will only be the newest model for a month or two. There's always a bigger investment account. There's always a bigger home or a faster car. I've talked with multi-millionaires who don't think they're rich because they hang out with multi-multi-millionaires. It all comes from comparison to others.

So rather than focusing on what we don't have, maybe we should focus on closing the gap between what we want and what we already have. How do we close that gap? Funny you should ask.

Contentment is a choice

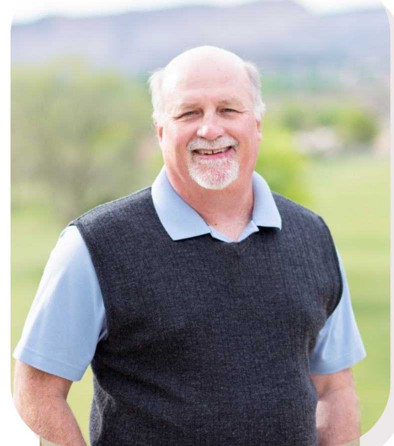
Our clients that demonstrate the most joy and contentment are those that *choose* to be grateful for what they have. They can look at someone who has more and genuinely be happy or indifferent towards them. There's no angst about getting to the next level. They simply have chosen to recognize that they have enough.

Of course, this is easier said than done. Finding true contentment is hard, especially in the materialistic society we live in. Think of contentment as more of a journey than a destination. No one ever arrives at a place where there's never a gap between what they have and what they want, but they can learn to recognize that unhealthy thought pattern and nip it in the bud. I've found that being appreciative for the blessings in life is a great start towards contentment.

Plus, in the words of Jerry Seinfeld: *"Everything we buy is just pre-trash anyways."* ♦

"contentment has nothing to do with account balances, houses, cars, or toys."

The Bear Always Comes Out of Hibernation By Mike Berry, CFP®



"Nothing ever becomes real till it is experienced." John Keats

Once a month on a Monday morning we have a small study group meet in my office and we spend some time studying some of the biblical principles of money. We also spend some time sharing different things we might be going through with a client or clients. Linda and I are the "senior" members and the other four are all advisors in their 30's. At our last meeting (Linda was on vacation) part of our discussion centered on the 2008-2009 bear market that brought the S&P 500 Index down almost 50%. As I sat there with the four 30-somethings, I asked if any of them were in the financial planning/investment management business in 2008-2009. None of the four had experienced that excruciating two years. I assured them that they would someday experience a bear market of that magnitude.

One of the takeaways of our discussion was that we owe it to our clients to explain from the very beginning that there will be periods of great discomfort as the prices of their investments plummet downward. It's a part of the normal cycle. Many of you reading this have experienced the 2008-2009 bear market with me, as well as the 2000-2002 bear market, and some of you even go back to the Crash of 1987 with me, where the Dow Jones Industrial Average dropped a whopping 25% in one day! We also owe it to our clients to explain that the drops don't last forever (it only feels that way). From 1990 to 2000, we had one of the strongest bull markets we've ever seen. Prices recovered nicely between 2002 and 2008 and since March 2009, we have been in a long running bull market. Since 1986, Linda and I have seen the Dow Jones Industrial Average climb from roughly 2000 to roughly 25,000.

We're going to have another bear market, probably sooner rather than later. Will it generate a 20% loss? A 50% loss? No one knows. Just like no one knows when it will begin or when it will end. If you haven't experienced a bear market, it will test your patience; it will make you wonder why you invested; it will put you on an emotional roller coaster. It will become real to you.

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There are things we can do to mitigate the damage and pain. One is to have a diversified portfolio. A portfolio of stocks, bonds, cash, and some non-correlating assets like real estate and commodities tends to weather bear markets better than a portfolio made up of 100% stocks. One can also be a buyer in a bear market. Buying more shares of good investments at a time when they are down in price will help your overall portfolio recover more quickly when things turn around. Finally, talk about it with your advisor. The cruelest thing an advisor can do is to dodge client calls when the market is going down. A very big part of our job is to help you understand what is going on and to help you weather the storm without jumping out of the boat.

The next bear market? When it will happen, we don't know. But we know it will and it will be real. ♦

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