Wealth Builder

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LEGACY WEALTH MANAGEMENT, LLC

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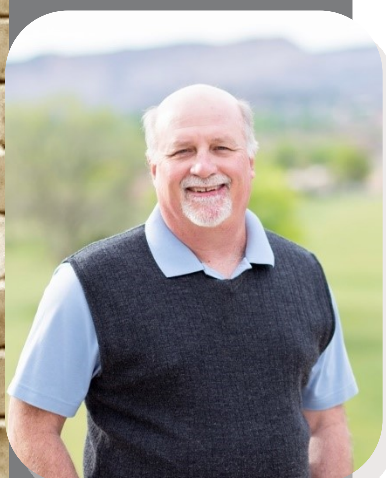

What Doesn't Kill You... By Mike Berry, CFP®

I'm guessing that most of you have heard the saying, "what doesn't kill you, only makes you stronger." Or in my case, "what doesn't kill you, only makes you balder."

I'm now well into my 33rd year of being a financial advisor. Including this past October through December sell-off, I have experienced 8 for sure bear markets as well as numerous one day sell-offs.

My career was barely a year old when Black Monday, October 1987 hit. The damage to the Dow Jones Industrial Average was a one-day loss of 25%. Then

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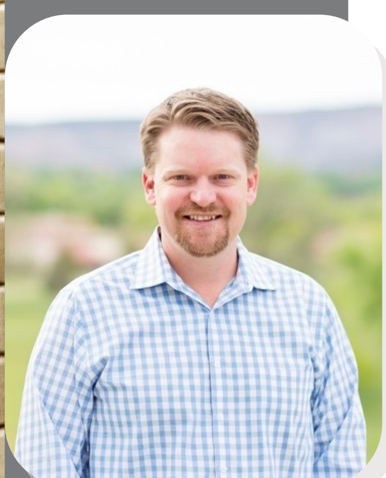

Invest Like A Golfer By Jeff Funderburk, CFP®

I love Golf. It's one of my greatest passions. Like any passion, it consumes much of my thought as I'm sure it does for all my fellow golfers out there. Non-golfers will say we spend entirely too much thought on such a silly game. But I say there is value (beyond improving my handicap) in all that time spent reading, thinking, learning, and practicing the game. And to prove this value I submit to you a few of the principals I learned in golf that taught me about investing.

Course Management – In golf you have to plan your game each round, hole by hole, to best maximize your strengths and minimize your weaknesses. You shoot better scores if you go in with a plan. You should always invest with an end goal in mind. Knowing what you're investing for, and how you plan to get there will

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WHAT DOESN'T KILL YOU... *Continued from p. 1*

beginning in July 1990, Iraq invaded Kuwait and oil prices spiked. Over the next three months the stock market lost 18%. Things sailed along relatively well with only a few bumps in the road until the fall of 1997 when we went through a global mini crash because of a huge economic crisis in Asia.

The early 2000's ushered in a real rocky time starting with the bursting of the dot.com bubble in March of 2000. When the World Trade Center towers went down on September 11, 2001, so did the financial markets. The drop was breathtaking, but everyone was numb from watching over 3000 people die right before their eyes on TV. The markets were closed for three days after and the first few days of trading after re-opening were brutal. By the time October 2002 rolled around (over a year after the incident), the Dow Jones Industrial Average was down 27% from January 2001, the NASDAQ was off 80% and the S&P 500 Index was down 50%.

As we move along, a lot of us remember the financial crisis of 2007-2009. It was a long painful drop and I remember getting calls from people asking, "when is it going to stop?" After another short reprieve, we had a nice five-month bear market from May 2011 to October 2011 that lopped off a cool 21.58% from the S&P 500 Index.

Finally, we come to our most recent bear. October through December 2018. The S&P 500 dropped off a cool 20.2%.

So, if you average things out, a bear market has come along about once every four years during my career and if things work out and I'm blessed with continued good health, I'm likely to see a couple of more before I hang it up. While not fun, all these bear markets have helped me grow so that I can be more confident as to what lies on the other side. And what I've seen is that through all these bleak times in the financial markets, there have been periods of equally stunning returns. So much so that in my career I've seen the Dow Jones Industrial Average go from around 2000 to now around 26,000.

I've seen a lot of you go through some of these times with me and now you're seeing your goals become realities. These are the pleasures that make it worth all the pain. These crazy bear markets haven't killed me but they have made me (and you) stronger, and in my case… balder. ♦

"All these bear markets have helped me grow so that I can be more confident as to what lies on the other side."

FIND YOUR SLIDE BY DAN FUNDERBURK, CFP®, CKA®

Every February I attend a Kingdom Advisors conference in Orlando. Last year some friends and I decided to miss the last session on Friday and go to Volcano Bay, Universal Studio's new waterpark. After all, we were in Orlando in 80-degree weather when it was 35 degrees back home. We figured we'd be crazy not to take advantage of our situation.

We had read about Volcano Bay's amazing plunge slides, where the floor drops out from underneath you and shoots you at crazy speeds through twists and turns until you splash into the pool 125 feet below. To make it even better, the top of the slides are inside a huge man-made volcano. How cool is that?!?! We couldn't wait to try them out, and made a bee-line to the slide's entrance as soon as we got in the park.

Little did I know, these slides have a weight limit, and before you climb up the volcano, they make you stand on a scale. The computer then shows the attendant either a green or red light. Green means you're good, red means you'll need to find thrills elsewhere. My buddies all stepped on the scale and were told they could proceed. I stepped on the scale and was promptly told I wouldn't be allowed to slide. I spent the first 20 minutes of my water park experience waiting for my friends to shoot out of the tube into the landing pool.

Now, I had wanted to lose a little weight for a while before my trip to Orlando. I just hadn't been motivated enough to actually change any of my habits that were preventing me from doing so. Well, thank you, Volcano Bay, for my motivation. I knew I would be back in a year, and I knew the weight limit for the big slides was within reach.

Once I had a specific amount to lose by a specific day, I was able to create a plan to meet the goal. I spent the summer doing what I normally do, and then kicked it into gear in the fall until my Orlando trip this last February. I need to tell you, I was nervous standing on that scale again but was stoked when I got a green light this time. It seemed like I floated up the 125 feet of stairs and riding down that slide was an incredible feeling.

The entire experience got me thinking… it's funny how a silly waterslide could motivate me to do something I've wanted to do for years. This principle is easily transferred to our finances. Maybe if we could find the right motivation, we'd actually be able to control our money, instead of it controlling us? Creating a specific goal, with a specific dollar amount and date can help bring clarity to what we should be doing now to hit that goal. And I can speak from experience, it feels pretty amazing once you hit a goal you've intentionally worked hard to accomplish.

So I need to ask... what's your slide? ♦

"We'd actually be able to control our money, instead of it controlling us."

INVEST LIKE A GOLFER *Continued from p. 1*

help you make better decisions than showing up late to your tee time and expecting to hit a 300-yard drive on your first swing of the day.

Pick the right club – In golf you need to understand your clubs, how they work, and when to use each one. In finance our "clubs" are the various investment products available for us to put into our bag and bring out onto the course. Successful investors use different investment products to make sure they've spread investment risk around appropriately. You don't want to be the guy or gal that hits the driver in the wrong situation, only to watch it sail out of bounds, then look down at the tee and say "Yep – should've gone with the iron." You have to pick the right club for job, and you have to use it as designed.

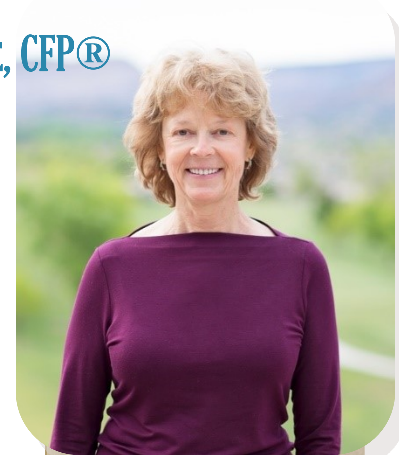
" Successful investors don't sell out during a down period in the market."

Know when to lay up – As much as we'd all like to emulate Phil Mickelson and pull off incredible escape shots resulting in impossible birdies, most of us don't have the ability to execute those types of shots. We need to lay up. In investing we've all heard of risk tolerance, which is how much risk you can emotionally handle without wanting to throw in the towel. Less heard of is risk *ability*, which is the amount of risk that we can actually afford to take without being detrimental to our goals. Just because you're comfortable (or *tolerant)* hitting a driver off the deck, from the rough, on a side-hill lie, across water to a tight pin, doesn't mean you have the *ability* to do so. Likewise, in investing, just because you can tolerate more risk emotionally doesn't mean that your goals will allow for it. Sometimes we just can't afford the big number on this hole, so we need to lay up with a more conservative shot. We all need to match up our goals, not only with our risk tolerance, but also with our risk ability.

Wait for the pure shot – You won't hear PGA Tour players saying this, but us weekend warriors expect that bad shots are going to come at some point in each round. It's just too hard of a game for every shot to be good. In the investing world, there are going to be periods of negative returns; they always have been and will always continue to be. But real golfers don't pack up our clubs and walk off the course after a bad shot. Successful investors don't sell out during a down period in the market. You know the bad shots are coming, but you also *know* that the good ones are coming. Periods of strong market gains consistently show up over time, and you have to stay on the course to hit that shot and realize those gains.

I could go on and on, but Sondra limits my real estate in our newsletter. Suffice it to say, everything I learned in life I learned on the golf course. That's a fair statement, right? I love golf. And golfers get it. Here's to those pure shots! ♦

QUALIFIED CHARITABLE DISTRIBUTIONS By Linda Eden-Wallace, CFP®



Our Moms were right. It really *is* better to give than to receive! For me, that warm and fuzzy feeling you get from seeing someone open a gift that touches their heart or really helps them out wins hands down compared to unwrapping one myself! Most people feel that way but when it comes to paying taxes, charitable giving can also reap some tax benefits.

While charitable giving is never solely motivated by tax deductions, those deductions can be an important part of tax planning. However, the 2017 Tax Act has made deducting your charitable contributions more challenging. The Act doubled the standard deduction which you can claim on your tax return if you don't itemize. It has increased from $12,700 to $24,000 for a married couple filing jointly and from $6,350 to $12,000 for individuals. This, along with some other changes, means that most taxpayers will now use the standard deduction rather than itemize. It also means many taxpayers will no longer be able to deduct their charitable contributions.

But there is good news for people who are 70 ½ or older and must take a Required Minimum Distribution (RMD) from their IRAs. They can still make their charitable contributions with pretax dollars even if they don't itemize! Instead of having their RMD paid directly to themselves making it a taxable distribution, they can donate it (or part of it) to a qualified non-profit and avoid paying taxes on the distribution. The end result is that none of the distribution that is donated is taxable but it still satisfies the required amount they have to take from their IRA. This "Qualified Charitable Distribution" was made permanent in 2015.

Since the Qualified Charitable Distribution is now permanent, investors who are considering a Roth IRA conversion to avoid having to take RMDs may find it no longer makes sense for them. Everyone's tax situation is different. If you'd like to discuss how these options might affect you don't hesitate to give us a call! ♦

"The end result is that none of the distribution that is donated is taxable."

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372 Ridges Boulevard • Grand Junction • Colorado • 81507 • (970) 241-5143
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