

September - October 2014

Money Moxie[®]

FINANCIAL STRATEGIES FOR YOUR LIFE



*What's
Your Happiness Index?*



SMEDLEY FINANCIAL SERVICES, INC.[®]

Commitment to Competency: An Inside Look at Smedley Financial

Dear Valued Clients and Friends,

In the 1939 film classic, “The Wizard of Oz,” Dorothy Gale of Kansas seeks a way home and befriends the Scarecrow, the Tin Woodsman, and the Cowardly Lion, each, respectively, want a brain, a heart, and courage. When the group finally reaches Emerald City, it is Dorothy’s dog, Toto, who exposes the Wizard by pulling back the curtain. Let’s take a look behind the curtain at Smedley Financial Services, Inc.®

Besides the eight college degrees we collectively hold, Smedley Financial has four Certified Financial Planner® (CFP®) certificants and one Chartered Financial Analyst (CFA®) professional. Both the CFP® and the CFA® designations have rigorous Codes of Ethics and Standards of Professional Conduct.

Believe it or not, not all financial planners are “certified.” To quote from the CFP Board’s website: “Only those who have fulfilled the certification and renewal requirements of CFP Board can display the CFP® certification trademarks...” The CFP Board lists four certification E’s: Education, Examination, Experience, and Ethics.

Education: Besides any college degrees earned, all the CFP® certificants at Smedley Financial have completed an additional (multi-year) course of study in specific core areas of financial planning. This is also true of our CFA® holder. CFP® certificants must keep up-to-date through required continuing education hours.

Examination: Besides the examinations required for each course of study, CFP® professionals must pass the comprehensive CFP® Certification Exam. This two-day examination is based on discerning the individual’s ability to integrate and apply financial planning principles and knowledge in the context of real-life financial planning situations. The CFA® professional must also pass three examinations, offered only once or twice a year.

Experience: “CFP® and CFA® professionals (must) complete several years of experience related to delivering financial planning services to clients prior to earning the right to use the certification trademarks.”

Ethics: The CFP® Rules of Conduct require us, as CFP® professionals, to put your interests ahead of our own at all times. We believe this is the highest possible standard of any profession, period.

So there you have the Four E’s of Certification and an inside look at Smedley Financial.

Bullish Best Wishes,



Roger M. Smedley, CFP®
President

Have you visited us online lately? Smedley Financial’s website offers a wide variety of articles and videos focused on financial issues that can impact all of us. Take a minute and see what’s new. Visit us at www.SmedleyFinancial.com or scan the QR code to the right.



What's Your Happiness Index?

By Sharla J. Jessop, CFP®

We have all heard the adage “Keeping up with the Joneses.” For many, this adage reflects a perception of happiness – seeing what others have and believing it creates an abundance of happiness in their lives. In reality, the desire to have more often results in less satisfaction.

When asked, most people would say if they had \$_____ more (you can fill in the blank), they would be better off, financially speaking. It's hard for most Americans to believe someone earning a handsome six figure income, say \$400,000, can feel broke. But it happens.

This “getting ahead” mentality occurs at all income levels and generally has the same effect. As our income increases, even slightly, we think: “How can I spend this additional money?” More often than not, the answer is a purchase. Maybe it's upsizing your home, moving to a better neighborhood, getting a new car, or buying a recreational toy. There is no limit to the human desire to have more.

We'd like to introduce a new idea. Perhaps getting ahead doesn't mean buying more stuff. After all, what exactly are we getting ahead of? Contentment and happiness come when we are comfortable living within our means.

Financial Freedom

Debt does not create freedom. The treadmill of borrowing more money to buy more stuff gets tiresome and stressful. We become so focused on finding a way to pay for our lifestyle we seldom really live in and enjoy the present. Freedom comes from having enough discretionary income to cover the unexpected curve balls life can throw your way. Discretionary income provides the flexibility to slow down and enjoy the life we are living and the lifestyle we are striving to create.

Contentment Creates Happiness

This in no way implies that we shouldn't strive to improve our lives and better our circumstances. The point we are trying to make is that using someone else's lifestyle as a measuring stick for our personal happiness generally has the opposite effect. If we never feel we measure up financially, we're going to be hard pressed to feel happy or content. Setting realistic expectations and balancing wants and needs is a starting point.

From there we must break down our income to first cover non-discretionary needs. This would be a roof over head, food on the table, electricity, etc. Then we prioritize wants and determine how to use current resources to cover these items. At the end, there should be discretionary money that is not appointed to any specific goal, other than creating excess cash – savings.

**“Be content with
what you have right now.
If you can't enjoy it now,
you won't enjoy something
better later.”**
—Mitch Anthony

The Happiness Index

Balancing our wants with the ability to pay for them is a challenge. There have to be trade-offs. Buying the newest high-end luxury car may result in a high level of debt. On the other hand, a beat up jalopy with high miles may not last long. The idea is to purchase a vehicle that meets your needs and that you can reasonably afford. That way you feel good about the purchase and still have some cash flow flexibility. This decision making process is your happiness index.

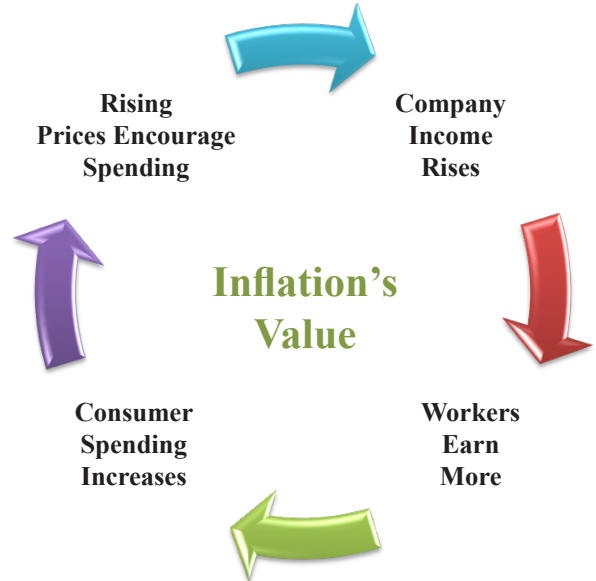
Each time you spend a large amount of money or commit monthly cash flow to an ongoing expense, ask yourself, “How will this financial transaction impact my happiness?” Applying this technique will help set you on a positive financial course. In the words of author Mitch Anthony: “Be content with what you have right now. If you can't enjoy it now, you won't enjoy something better later.” SS

The Virtuous Cycle of Rising Prices

By James R. Derrick Jr., CFA®

Imagine waking up tomorrow to discover gasoline prices have dropped in half. What if milk, eggs, and all your groceries cost less as well? Suddenly, your money would be worth more. Sounds great, right? It wouldn't take long for the heavy weight of reality to hit you.

A rise in productivity has been occurring for centuries with greater education and technology. In fact, a U.S. worker today, on average, can produce twice as much as a worker in 1975 and 50 percent more than a worker in 1995! Outsourcing to cheaper foreign labor has a similar effect on productivity as technology.



Consider how knowledge of tomorrow's pricing might affect today's behavior. Assuming no shortages, we would be crazy to buy today what would cost less in 24 hours. While falling prices (deflation) sound nice on the surface, they can have disastrous consequences.

Deflation has been present in most economic depressions in history, including the Great Depression. The initial causes may include productivity increases, oversupply of goods, or scarcity of money.

Price Changes
Aug 2013 - Aug 2014

| Item | Increase | Item | Decrease |
|-------------------|----------|--------------------|----------|
| Women's Outerwear | +19.0% | Televisions | -14.2% |
| Butter | +18.8% | Personal Computers | - 6.9% |
| Beef | +15.1% | Peanut Butter | - 4.8% |
| Eggs | + 9.7% | Appliances | - 4.7% |
| Fresh Fruit | + 4.7% | Jewelry | - 4.7% |
| Hospital Services | + 4.1% | Fresh Vegetables | - 4.3% |
| Postage | + 4.1% | Men's Apparel | - 1.5% |

Source: Bureau of Labor and Statistics

Supply of goods fluctuates, especially with food and energy. For example, a drought in 2012 led to a rise in grain prices like corn, which made feed cattle more expensive in 2013, which led to higher dairy and beef prices in 2014 (see Price Changes table).

Scarcity of money is where the U.S. Federal Reserve (Fed) comes in. The Fed encourages low unemployment and low inflation by managing the money supply.

Continued on next page.

The Fed cannot control the weather in the Midwest, extract more oil from Saudi Arabia, or raise the minimum wage in China. But the Fed will do everything it can to avoid deflation. Since 2008, it has spent over three trillion dollars to stabilize falling prices.

Rising prices are normal in a healthy economy. The 50 year average for inflation is 4.1 percent. This reasonable rate encourages spending and creates a virtuous cycle of economic growth (see Inflation's Value graphic).

All the current numbers in this cycle are good, but below average. Over the last twelve months inflation has been 1.7 percent, wage increases averaged 2.8 percent, and consumer spending grew 3.6 percent.

*Research by SFS. Data is from the Federal Reserve Bank of St. Louis and public sources. Investing involves risk, including potential loss of principal. Past performance does not guarantee future results. The opinions and forecasts expressed are those of the author and may not actually come to pass. This information is subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any specific security or investment plan.

Deflation: Falling prices (Great Depression)

Inflation: Rising prices (normal economic times)

Stagflation: Rising prices without economic growth (United States in 1970s)

Hyperinflation: Rapid price increases resulting from war and/or a shock to supply (Germany post World War I)

The most recent U.S. growth rate showed an increase of 4.2 percent. That is a great number. If it is followed by another increase in another category like wages the growth cycle could pick up speed. The result could help the current bull market continue. SFS

Building a Business

Part Four: Inspiration to Act

By Rodney A. Walker, CFP®

At some point, the time will be right to start your business and turn your dream into a reality. It's difficult to know when to start and there may never be a perfect time, so look for a way to move forward. Find inspiration to help motivate and push you to do what seems impossible.

Where is inspiration found? Inspiration can come at any time from anywhere. Here's where one person found inspiration to start her business. SFS

"A man's success in business today turns upon his power of getting people to believe he has something they want."

– Gerland Stanley

"If you can dream it, you can do it."

– Walt Disney

"Success is about creating value."

– Candice Carpenter

Laurann is the founder and owner of Flippin Waffles. In May of 2014, Laurann's lifelong dream of creating a business around her love of cooking was fulfilled. Laurann's inspiration came while on a trip to Portland, Oregon, where she discovered a love for Belgian Liege Waffles. Her company slogan, "Waffles Should Be A Life Changing Experience," exemplifies her inspiration and passion to create a life-changing experience.

Laurann explains, "It is so fun to make money from your own business! That is one of the most rewarding aspects of owning a business. Knowing that you are a success gives you a sense of self-trust and pride that is empowering. While empowering, it is very hard and scary to start a business. The biggest challenge is the scope of responsibility that rests on your shoulders. It is scary to put yourself out there. It is hard to know if you have priced things right and if you have enough inventory. It's hard to know if people will like your product or want to buy it. It's a challenge to get all of the equipment and materials needed to start the business. It can be daunting and sometimes discouraging. You just have to go out and do it. Do your best, be diligent and work hard. Then, when you have your first successful sale or your first excited customer it makes it all worth it!" Kudos to Laurann for following her dream.

Fraud Alert

Email Scam

By Mikal B. Aune, CFP®

Hopefully everyone knows not to reply to an email sent by a “Nigerian prince.” However, criminals are becoming more sophisticated in their tactics. We recently learned of a new email scam during a national conference we attended. The reality of this scam was driven home when one of our own clients was hacked.

One day as I was sitting at my desk, I received an email from a client with whom I had spoken recently. The email said, “Are you in office?” As I was on the phone at the time, I replied I would call as soon as I was done with a call.

The response came, “We are currently out of town, we are here in Mexico and our cell phone is not working here, kindly email available accounts balances as of today.” (Hopefully, you noticed some of the grammar and punctuation mistakes as I did.)

What we had learned in our conference is that the new scam starts by hacking into an email by figuring out the password. Then the crook patiently finds out as much personal information as he can, including names, dates of birth, financial information, etc. Next, the crook will pose as the individual and try to make connections with the individual’s contacts (in this case, me). With so much information about the individual sometimes access is gained to a bank, credit card, or other financial account.

Our policy is to never send personal information via email, which inherently is unsecure. For that same reason we won’t accept trade requests via email.

When the email seemed to be fishy, I left a message for the client and waited until she contacted me. The client was indeed on vacation . . . , but not in Mexico. It is likely that the criminal knew she would be on vacation and waited for that moment to make a move.

Thankfully, none of the client’s financial accounts were


compromised. However, the episode cost the clients an enormous amount of time and worry.

What lessons can be learned from this?

1. Use strong passwords and change them frequently. (Please read the article on next page.)
2. Protect your computer. Make sure you have antivirus protection and that you have updated it recently.
3. Encrypt your wireless router by using a WPA key, or password, that will impede hackers using network sniffers.
4. Don’t give your passwords to others. (No one should ever ask.) If you aren’t sure you can trust the emailer/caller, don’t give them any personal information. Find the contact information through an independent source and contact the company that way.
5. Don’t be fooled by emails. Many scammers will send you an email that looks legitimate, but when you click on the link it will download a virus to your computer. Don’t click on any links if you haven’t subscribed to a service from that provider.
6. Limit online purchases and remember that even brick and mortar retailers can have their customer information breached.



If you do make purchases online use credit cards, which typically have fraud protection. If you are compromised the credit card company will usually write-off all of those charges. Debit cards allow thieves to take your money.

In this digital age, cybersecurity is increasingly important. Take a step towards protecting your personal and financial information by first protecting your email. 

Passwords Hacked!

By Shane Thomas



Nearly every website you visit wants you to create a login and password. Unfortunately, passwords are the only type of security that most sites are using to verify your identity. So if you want to protect your personal information then you need to make a habit of creating extremely strong passwords.

Some sites want the password to include letters and numbers. Others add the option of special characters. A good password is longer than 12 characters, and includes a combination of letters, numbers, and special characters. It should also be updated or changed every 3 months.

An example of a secure password could be: Xvot\$Put=qi3. If that sounds complicated, then we're on the right track. The more complicated, the harder it will be to crack.

That sounds great, but how do you keep track of all these logins and passwords AND still keep them secure? There are several ways to do this and it all depends on your personal preference. Some of these suggestions are more secure than others. You can:

- Memorize them all.
- Write them all down in a notepad that you keep somewhere secure.
- Use a phrase you can remember, but would be hard for others to guess.
- Have your Internet browser remember them all.
- Use a third party installed software on your computer that remembers them all for you.
- Install an App on your smartphone that generates/remembers passwords for you.

Do NOT use the same password with multiple logins. If one of your logins is compromised, the hacker could try it on any of your other logins with success. Take the time to make good passwords and change them every three months to try to avoid getting hacked. If you have any questions or concerns, please feel free to contact us.

Medicare Open Enrollment

During fall open enrollment, October 15 thru December 7, you have the option to change your Medicare Advantage or Medigap coverage provider. Not sure if you need to make a change? Ask these questions:

1. Has my current Medicare Advantage insurer changed the provider network? Many insurers are shrinking provider networks. If your doctor is no longer on your plan, consider a plan that includes your doctors.
2. What are the out-of-pocket costs for my drugs? There may be another insurer covering the specific prescriptions at a lower cost. List your prescriptions and compare insurers to see if you can save money.
3. Am I paying too much for my Medigap policy? While coverage among Medigap insurers is the same, premiums vary. This is a good time to do some comparison shopping.

If you have questions regarding your Medicare options talk to one of our wealth consultants for guidance regarding your personal situation.

Your SFS Team

Smedley Financial Services, Inc.® is an independent registered investment advisory firm. We work for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using the strategies that work towards each client's needs and goals. We work with individuals, businesses, and family estates. We provide financial solutions for your life.

Wealth Accumulation

- Managed Accounts
- Indexed Investing
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks and Bonds
- Alternative Investments

Disability (Injury)

- Short-Term Disability Insurance
- Long-Term Disability Insurance

Family Protection

- Term Insurance
- Whole Life Insurance
- Universal Life Insurance
- Variable Universal Life Insurance

Elder Care

- Long-Term Care Insurance
- Hybrid LTC

Retirement

- Social Security Maximization Strategies
- Medicare Supplement
- Guaranteed Income (Annuities)
- Lifetime Income Planning

Self Employed

- Health Insurance
- 401(k) Plans



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