November - December 2015

Money Moxie®

FINANCIAL STRATEGIES FOR YOUR LIFE

Season's Greetings

Since 1982

SMEDLEY FINANCIAL SERVICES, INC.®

Worst-Case Planning May Be Your Best Financial Tool

Dear Valued Financial Partners and Friends,

You may profit by learning how we, as wealth managers at Smedley Financial, engage in two different processes on your behalf. Both on the financial planning side and on the investment management side, we strive to turn the tables upside down by asking the tough "What if" questions.

Regarding your financial planning with us, we first look at the positive side of helping you plan your financial future. But then we flip things upside down and strive to plan for worst-case scenarios as well.

What if you needed more money in your emergency fund? Where will the money come from? What if you or your spouse became disabled? What if you or your spouse died prematurely? What if the younger or healthier spouse dies first? Would you or your survivors be financially okay? What if one or both of you lives 10 or 15 years longer than you expect? What if one or both of you have to go to an assisted living facility? Where will the funds come from? What if you die without a will and possibly a trust? What will happen to your estate?

We hope you can see how this type of reverse thinking in your financial planning is not only beneficial, but essential.

Regarding our investment management philosophy, we strive to emulate this same type of reverse thinking. Rather than being persuaded by best investment case scenarios, the Smedley investment management team continually seeks to ask itself the tough questions. Over the past 34 years, we at Smedley Financial have seen many people make financial mistakes–some serious and some not so serious.

What if high returns, you know, too good to be true, are promised? Many people lose much of their life savings and perhaps their homes because of the promise of high returns. What if you change your mind and want your money back the next day? Can you get your money back without severe penalties? What if something goes wrong in the future with a proposed investment? What if an investment stops performing? What if an investment drops in value? Who is minding your portfolio and continually looking out for your best interest? When someone boldly states how much money he or she made on an investment ask, "How much risk did you take to get that return?" Are you properly diversified and allocated?

Keep in mind the Will Rogers adage, "I am not as concerned about the return on my money as the return of my money."
As a nationally recognized Wealth Manager, Smedley Financial's motto is, "Your financial success is our passion!"

Bullish Best Wishes,

Roger

Roger M. Smedley, CFP®
President

Holiday Open House

We are pleased to announce Smedley Financial will be hosting an open house for our clients and friends.

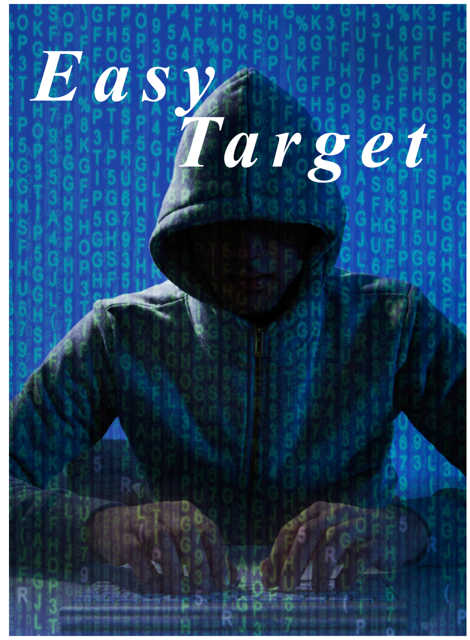
Tuesday, December 1, 2015
3:30 PM to 6:30 PM

Come see our new office and enjoy sweet treats, holiday music, and old friends.

Watch for your invitation.

Don't Make Yourself an Easy Target

By Shane P. Thomas



Identity theft seems to be always in the news and people want to make sure they are mitigating the risk.

Just this last week, a student at the University of Utah discovered he was the target of identity theft. The thief applied and was approved for multiple accounts in the victim's name and was making purchases. The individual even updated bank information using a new email address he created, unbeknownst to the victim.

What can we learn from this?
1. Shred anything with personal information.
2. Check your credit report for suspicious activity.
3. If you feel you have become a victim, place an immediate freeze on your credit. This prohibits someone from applying for a loan or credit card in your name until you remove the freeze.

Another place identity thieves love is the junk yard. They search through the wrecked and totaled vehicles that potentially contain mountains of papers that can be used to steal your identity.

KSL News recently investigated and found a lot of information that had unknowingly been left in vehicles: bank information, medical records, checkbooks, and tax information,[1] all of which contained the perfect recipe for identity thieves: names, address, Social Security, and bank account numbers.

What can we do to make sure our vehicle isn't a potential jackpot for identify thieves?
1. Clean out your vehicle regularly.
2. Don't store sensitive documents in your vehicle.
3. Double check all locations, i.e. console, glove box, trunk, and underneath seat, before selling or letting your vehicle be towed after an accident.

An additional item that must not be overlooked is your online presence. It seems like every website requires a login. Some ask for a user ID. Others want your email address. The password requirements differ: letters, numbers, special characters, or all three.

The best passwords are longer than 8 characters; include a combination of letters, numbers, and special characters; and are changed every 3 months.

How can you keep track of and secure your passwords?
1. Memorize them.
2. Write them down and keep the list secure.
3. Use a phrase you can remember that is hard to guess. Add variations at the beginning or end.
4. Have your Internet browser remember them.
5. Use installed software that remembers them.

Do not make your passwords the same. If one of your logins is compromised, the hacker will try it on your other logins. Another tip: do not write them on a sticky note next to your computer.

We have had many clients ask us about purchasing an identity theft protection product like LifeLock, IDShield, or LegalShield. You can do many things they do for free to protect your identity, such as monitoring your bank accounts, credit card statements, and your credit reports. However, this can be time-consuming.

For a monthly fee, these services monitor your personal information and send you alerts if any suspicious or fraudulent activity ensues. Each of these differs in price and the services they provide.

If this is something you would like, do your homework and research them to find one that offers the right balance of features for the price you are willing to pay.

Identity thieves work around the clock. Unfortunately, they've made it their job. Follow these steps to make it harder and don't make yourself an easy target.

1. Mike Headrick and Tania Mashburn, "Piles of Personal Data Discovered in Salvage Yards," *KSL.com*, November 9, 2015.

Hitting a Financial Curve Ball

By Rodney A. Walker, CFP®

Clayton Kershaw is one of the best baseball pitchers of the modern era. He frustrates batters by showing a glimpse of hope prior to what appears to be a sudden and deadly drop in trajectory. In other words, Kershaw has one of the most devastating curve balls in the major league today. He is a three-time Cy Young Award winner and won the 2014 National League Most Valuable Player.

Rochester University has established why hitting a curve ball in baseball is so difficult. The ball's gradual path and rotation create a sense of where it is headed, but in the end it's not there.

Despite planning and preparing, life at times will throw a nasty financial curve ball–taking a financial situation from one of security to possible insecurity. John Lennon phrased this accurately: "*Life is what happens when you're busy making other plans.*"

Here are three tips to help you avoid striking out when facing one of these critical financial situations.

Tip one: Financial Inventory
Some financial curve balls can last years, leaving no choice but to invade long-term savings. If this happens, it is vital to determine the accounts that will cause the least amount of long-term financial impact. Take a financial inventory and create an order for liquidating. If necessary, start by liquidating accounts with no penalties.

Tip two: Ask for Help
It may be embarrassing to ask for help, but people are willing to assist in times of need. No one is immune to financial curve balls. This is when having a financial advisor can really have a positive impact. Our advisors at SFS can provide expertise by offering perspective and presenting essential information. They can also help you determine the best game plan to get through your financial crisis.

Tip three: Never Give Up
Stand in the batter's box and remain positive. Never give up. Financial curve balls will take a heavy toll the longer they continue. Financial sacrifices will likely be necessary and you may even need to adjust your lifestyle according to your financial situation.

Financial curve balls are hard to handle but not impossible; keep swinging by making good, informed choices.

Don't let short-term difficulties destroy your long term goals. Follow the three coaching tips and learn the best way to help hit your financial curve ball. SFS

Aging In Place

By Lynette S. Watts and Nashaela Lyons

There are a lot of benefits out there just for seniors! In the upcoming newsletters, we will feature a few of these that you can take advantage of. In this newsletter, we would like to feature a program called *Silver Sneakers.*

Silver Sneakers was created to help you take control of your health. This program is an insurance-benefit health-and-fitness program for people who are over age 65. If you qualify, you will have access (for free or at low cost) to over 13,000 workout facilities and classes around the nation, which are geared specifically towards active older adults.

To see if you are eligible, check out www.silversneakers.com. Get fit, have fun, and make friends!

Is the Dollar in Danger?

By James R. Derrick Jr., CFA®

The dollar has ruled supreme as the global reserve currency for over seven decades. It is the preferred means of payment, value, and reserve. As the most trusted currency on earth, it rewards Americans with lucrative privileges. While the dollar's dominance is unlikely to last forever, a change would be difficult.

Dominant Dollar

The dollar's source of power comes from trust and economics. We have a stable government a deep financial system. Against these benchmarks, other currencies fail. ***Our economic production represents 23 percent of global GDP.***[1] It is safer, easier, and less expensive to trade assets here than any other place on earth.

Profitable Privileges

The U.S. dollar is roughly 5 percent stronger than it would be if it were not the global reserve currency because foreign investors, corporations, and governments purchase dollars.[2] This raises the value of our assets (real estate, stocks, etc.) as Americans and helps us enjoy a higher standard of living. Imported goods and overseas travel are especially more affordable. ***The impact of this wealth effect is estimated to be as high as 0.5 percent of GDP,***[2] ***which would be an increase of $900 billion for Americans this year.***

In addition, almost 90 percent of world trading is done in dollars.[3] This saves U.S. corporations money and lowers financial volatility.

The dollar's status also increases demand for our government debt. According to Wikipedia, 63 percent of all reserves in the world are dollar-denominated debt. This demand lowers borrowing costs and saves our government an estimated half of one percent on interest.[2]

Greenback Drawback

In order to maintain the greenback's place at the top, our government must borrow from and pay interest to everyone else. In addition, our strong dollar makes labor more expensive here. That is one of the reasons why jobs have been going overseas for decades.

Approximately 30 percent of S&P 500 companies get half their revenue from outside the United States. ***The strong dollar makes exports more expensive in foreign markets and may shave 0.4 percent from the U.S. economy this year.***[4]

Challenging Change

Dethroning the dollar would be a process. It is not something that any group of individuals could change with a vote (Russian President Vladimir Putin has tried).

China is the world's second largest economy. Should its yuan be considered a strong alternative? It is doubtful because the Chinese government wants a weak currency. It decided to lower the yuan's value by 2 percent in August. This deliberate devaluation destroys trust, and no country has ever established the global currency through devaluation. This helps explain why the yuan is used in less than 3 percent of world trade while the dollar is used in 45 percent.[5]

Now What?

Extremely positive things are happening for the dollar and many experts are worried that the dollar may be too attractive. ***Between April 2014 and April 2015 the dollar appreciated 13 percent***[6] (a massive move for currency). Now, the Federal Reserve is conflicted over whether to raise rates because it may cause the dollar to strengthen even more.

The so called "experts" and conspiracy theorists will continue to beat their drums. No matter how logical their arguments appear, their poor predictions are meant to create fear.

Discussing the dollar's status into the future and working hard to maintain its credibility is vital. If we do this, I believe it is safe to say that the days of the strong dollar will be with us for many, many years to come. SfS

1. Derek Bacon, "Dominant and Dangerous," *The Economist*, October 2015.
2. Richard Dobbs, David Skilling, Wayne Hu, Susan Lund, James Manyika, Charles Roxburgh, "An Exorbitant Privilege? Implications of Reserve Currencies for Competitiveness," McKinsey & Company, December 2009.
3. Milton Ezrati, "Currencies: Yuan Wrong to Rule Them All," Lord Abbett, November 2015.
4. Chris Matthews, "The Strong Dollar: Your Enemy or Friend?" *Fortune*, March 2015.
5. Fion Li, "Yuan Overtakes Yen as World's Fourth Most-Used Payment Currency," *Bloomberg*, October 2015.
6. Federal Reserve Bank of St Louis.

Year-End Tax Tips

Social Security Changes

By Mikal B. Aune, CFP®

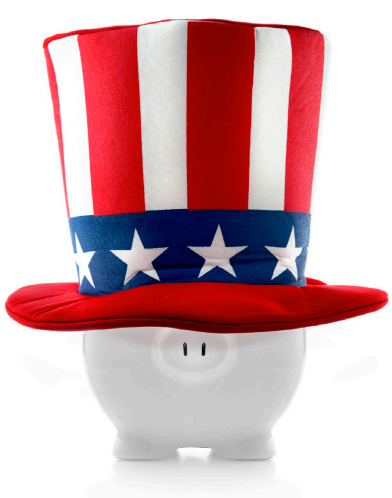
As the end of 2015 approaches, here are some year-end tax tips that may help you save some of your hard-earned money.

• Tax harvesting – This is one way to turn a curse into a blessing. If you have an investment with large capital gains that you haven't wanted to sell for tax reasons, just look to see if you have another non-retirement investment that is underwater. If you sell both investments, you can use the losses in the poor-performing investment to offset the gains of the good performer.

• Lost a job or retired early – You may consider a Roth conversion if your taxable income is low. Low-income years can result in more deductions than taxable income, which means that you may be able to convert part or all of an IRA into a Roth without much tax consequence.

• Roth conversions – If you have been contemplating converting money from an IRA into a Roth for 2015, just remember that the conversion has to take place before the end of the year.

• Watch for approval of Qualified Charitable Distributions (QCD's) – Congress hasn't approved QCD's yet, and they may not this year. They have a history of waiting until the last minute. If congress does approve QCD's and you are over age 70.5, you can donate part or all of your Required Minimum Distribution to a charity. This donation reduces your taxable income and may mean that less of your Social Security is subject to tax.



With the stroke of a pen, a favorite Social Security filing strategy has been taken off the table. The Bipartisan Budget Act of 2015 was signed November 2nd and eliminated most of the "File and Suspend" options after April 30, 2016. Below is a summary of the recent changes.

File and Suspend

• Currently: A person who is at or past their full retirement age (FRA) can file for their benefits but suspend receiving them, allowing a spouse to collect off of their record.

• Through April 30, 2016: Anyone age 66 or older can still file and suspend to allow an eligible spouse to collect a benefit off their record.

• After April 30 2016: "File and Suspend" will no longer allow a spouse to collect benefits off of the filer's record unless the filer takes a benefit. For a spouse to collect a benefit, filers must collect their own benefit and forgo delayed retirement credits. If an individual suspends benefits, all spousal and dependent benefits will be suspended.

Restricted Application for Spousal Benefits

• Currently: A spouse who is at or past FRA, and who has not received any benefits, can choose either a spousal benefit only (referred to as a Restricted Application) or his or her own individual benefit.

• Anyone 62+ by the end of 2015 is grandfathered and retains the ability to restrict their claim to spousal benefits only if they wait to collect until they reach their FRA.

Individuals who are younger than 62 will not have the choice of which benefit they collect when they reach FRA. Regardless of their age, they will be "deemed" to have filed for the highest benefit. They will no longer have the option to restrict their benefit to their spousal benefit only.

Smedley Financial and its advisors do not provide personal tax advice. It is important to coordinate with your tax advisor regarding your situation.

INFLATION

$245,000
Cost to raise a child born in 2013 to age 18 (up $4,260 from last year)[1]

U.S. Department of Agriculture, "Cost of Raising A Child," report, August 28, 2014.

ZERO
Social Security did not offer a COLA for 2016 (Inflation was flat in 2015)

Retired
Inflation has the greatest impact on the elderly

Planning Ahead
Smart strategies can change the impact of inflation on your life

$3.19
Average price the tooth fairy is paying per tooth in 2015

Inflation plays a part in our lives whether you are a new parent, seasoned grandparent, or the tooth fairy. Planning ahead will help to minimize your stress when inflation rears its ugly head.

• College savings accounts let you put money aside to cover the costs of higher education. Assets grow tax-deferred and can be used tax-free for allowed expenses.

• Cafeteria plans can be used to cover basic health care costs, glasses, dental work and braces, and even day care with tax-free money. If you know you are going to spend the money, do it before giving Uncle Sam a cut. Check with your employer to see if they offer cafeteria accounts.

At retirement, the shift to living on a fixed income can be harsh. At this stage, incomes are fixed and even compress over time.

Overall, inflation may be flat, but many services retirees need continue to rise; take for instance health care, long-term care, and housing.

One way to protect your income from the impact of inflation is through a retirement income plan. Understanding how and when each of your dollars will be used to provide income during retirement allows us to implement strategies to help protect your nest egg against inflation and other major factors.

By Sharla J. Jessop, CFP®

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

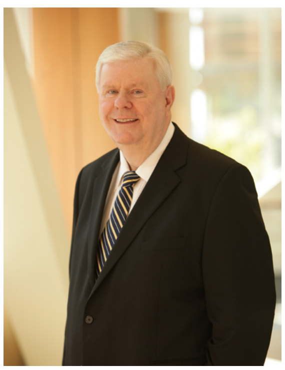
Family Protection
- Term Insurance
- Whole Life Insurance
- Universal Life Insurance
- Variable Universal Life Insurance

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

Disability (Injury)
- Short-Term Disability Insurance
- Long-Term Disability Insurance

Elder Care
- Long-Term Care Insurance
- Hybrid LTC

Self Employed
- Health Insurance
- 401(k) Plans



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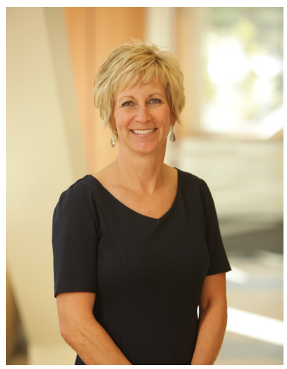
Founded 1981



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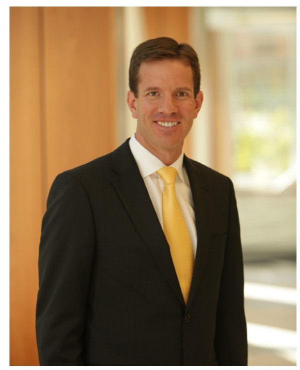

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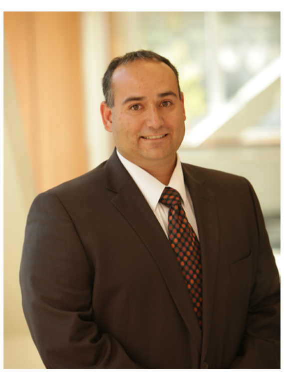

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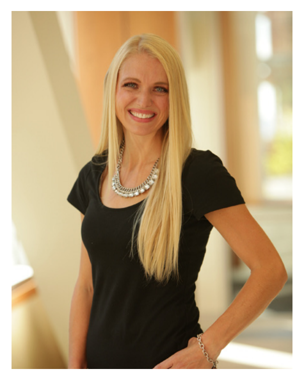

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