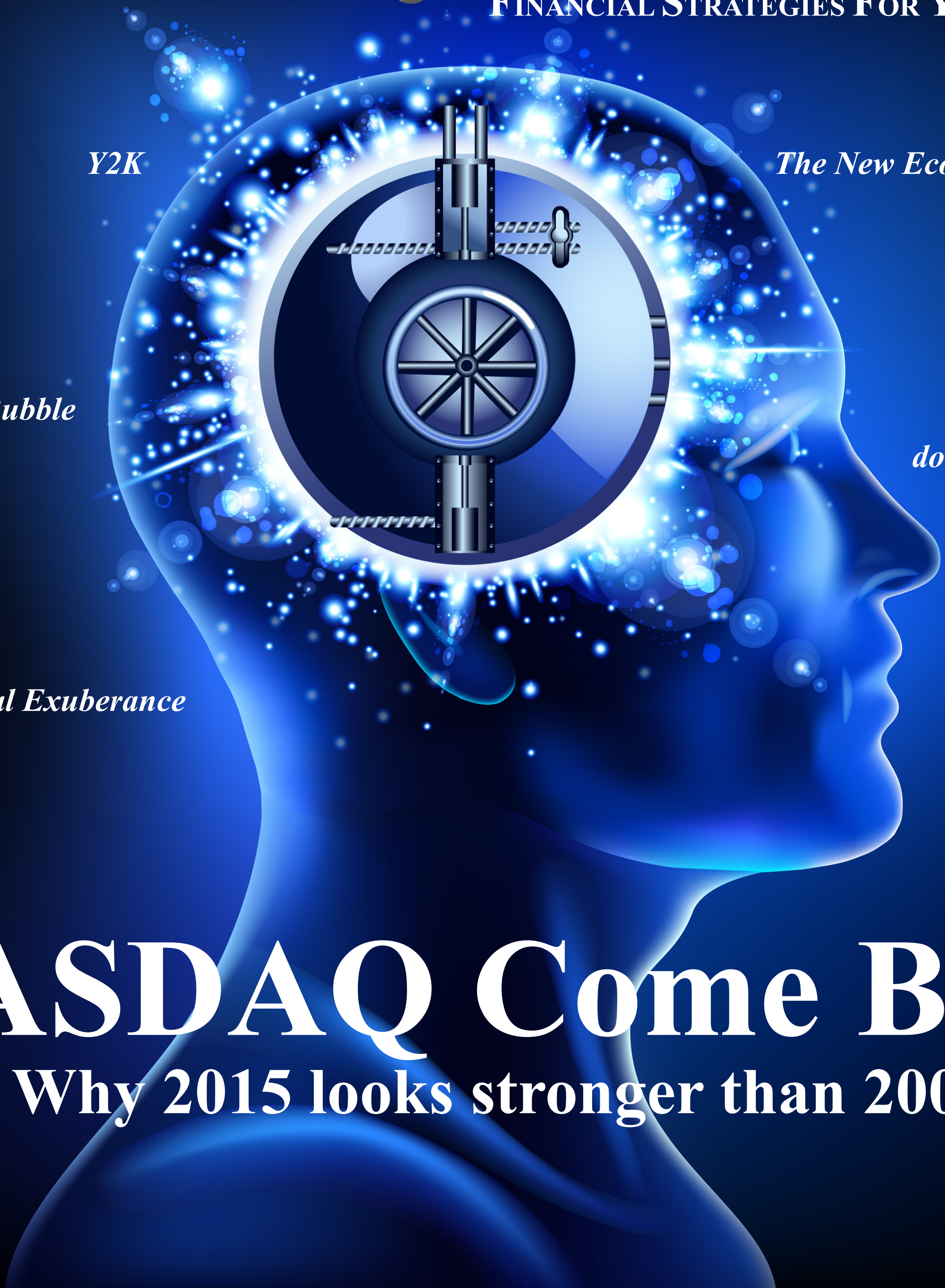
March - April 2015

# Money Moxie®

**FINANCIAL STRATEGIES FOR YOUR LIFE**




# NASDAQ Come Back

## Why 2015 looks stronger than 2000

Since 1982

SMEDLEY FINANCIAL SERVICES, INC.®

# *Don't Self-sabotage Your Investments*

Dear Valued Financial Partners and Friends,

In the January-February 2015 issue of *Money Moxie*®, I addressed how Black Swan Events will—at some unpredictable point—affect your investments. The bottom line was, while Black Swan Events are unpredictable, you must control your reactions to these non-controllable events. Now, I would like to talk to you frankly about common ways we have seen some very smart people self-sabotage their own investments.

"*I got out of the stock market during the drop, but I never got back in." Or, alternatively, "I simply didn't know when to get back in the market. No one rang a bell.*"

"*I repeatedly told my advisor to keep me in cash throughout the year because of market uncertainty.*" (The reality: This individual missed out when the market went higher.)

"*The stock market's going to drop to such and such a point, then I'll get back in.*" (The reality: The stock market never fell to the point predicted and kept going up.)

Defensive reasoning or self-justification are other names for committing financial self-sabotage. Often people, some very smart people, are their own worst financial enemies because of egos, i.e. trying to be smarter than the market.

We have had prospective clients bring their investment statements to us to compare and what is surprising to these people is how staying invested trumps their own trading decisions. (Of course, there are no guarantees or promises of past performance being repeated.)

When worried about Black Swan Events, don't let your emotions get in the way of making money. Don't let fear ruin your retirement. Instead, talk to one of our wealth advisors. We have the time, financial talent, and financial training to help you prepare for and navigate through difficult times.

Bullish Best Wishes,

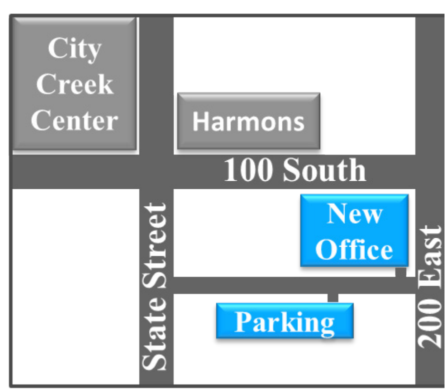
Roger

Roger M. Smedley, CFP®
President

## *SFS Has A New Address!*

**102 South 200 East Suite 100, Salt Lake City, Utah 84111**

On March 2, 2015, we began seeing clients at our new office location. If you have not been in to see us, here are a few things to note:

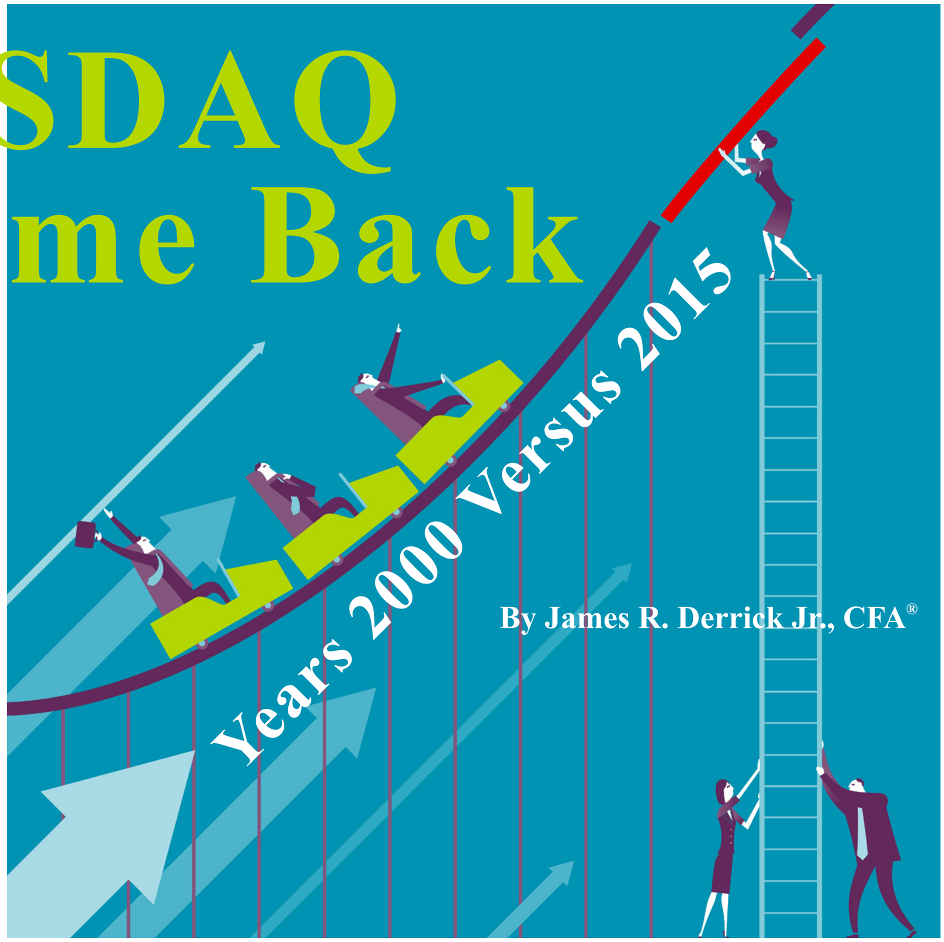



A small parking lot is located directly south of the building.

In addition, there is a parking terrace southwest of the building. From 200 East, turn in the driveway and continue on for 100 yards. Then turn left into the parking terrace. Please grab a parking ticket and bring it with you for validation.

# NASDAQ Come Back

By James R. Derrick Jr., CFA®




The NASDAQ surpassed 5,000 on March 2, 2015. The last time this tech-heavy stock index hit this level was March 9, 2000. Those were exuberant investment days that would not last forever. Are we destined to repeat the past or is the stock market more stable this time?

The index only stayed above 5,000 for two days before the bubble burst and a bear market began. By the time the NASDAQ hit bottom in 2002, it had lost more than 75 percent of its value.

In 2015, as the NASDAQ reached its old peak, there was much less celebration. In fact, it raised many questions. *Is the market value too high? Is the current bull market too old? Is the economy strong enough to continue?*

Prior to June 1998, there is no record of a company having ".com" in its name. However, there was a dramatic change in the next 18 months as 95 companies changed their names to be ".com" related. One example was Computer Literacy, Inc. It changed its name to fatbrain.com in 1999.

Dr. Michael Cooper, now at the University of Utah, studied what happened to companies that changed their names in 1998 and 1999. He discovered those that had an Internet-related change in name experienced a 74 percent jump in value in just 10 days! This phenomenon was observed regardless of what the company did. Many did not seem to have anything to do with the Internet.[1]

Let's go back to our example. In the 10 days surrounding fatbrain.com's name change, the value of its stock popped a whopping 33 percent![2] Expectations were out of this world.

In 2000, investors celebrated what was then called "The Economy." In those dot.com days the Internet was all that seemed to matter. Then the NASDAQ hit 5,000 and the exuberance reached a tipping point.

***While some market measurements resemble the past, the foundation looks better now.*** Corporate profits are three times larger than they were when the NASDAQ first reached 5,000. Then, around 14 percent had profits over $50 million. Now, around 78 percent have surpassed that benchmark.

In 1999, less than 15 percent of companies going public even made a profit. Now, the market is largely dominated by more stable companies like Apple, which made over $44 billion in profit in one year.

Then, the average technology company had been in business only four years. Now, the average for these companies is closer to 13 years.

***Bull markets don't die of old age.*** The current bull market did turn six years old this month, which for bull markets is above average in age. In comparison, by January 2000 that bull market was over 9 years old. A major change will likely need a catalyst.

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**NASDAQ**
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***The U.S. economy is strong and getting stronger.*** In the last two years, oil production is up 3 percent globally, but up over 20 percent in the United States. This is pushing down gas prices and according to Bloomberg, a 10 cent drop in gas prices saves U.S. consumers roughly $1 billion. This is boosting confidence, spending, and savings in our country.

The coming year is likely to have its hiccups as investor attitudes shift suddenly and often. This emotional volatility will show up in the numbers as well.

For example, the Dow crossed the psychological level of 10,000 for the first time in 1999. It crossed that level 33 times before what may have been the last time in 2010. The NASDAQ may likewise revisit its historic breakthrough many more times.

Just remember, if you stay invested in a well-diversified portfolio, you should be less affected by the wild roller coasters, especially those focused in one sector like technology or energy.

A diversified portfolio also should perform better over the years. In fact, if you stuck with your well-diversified strategy you probably didn't have to wait 15 years to get back to old levels. Your diversified portfolio has probably had better returns and reached numerous highs over the last 15 years.

This brings me back to fatbrain.com—a quick search on the Web produced no results for this once hot company!

(1) Michael Cooper, Orlin Dimitrov, and Raghavendra Rau, "A Rose.com By Any Other Name," *Journal of Finance*, Dec 2001.
(2) Nick Wingfield, "It Can Become a Pain to Shift Your Name," *Wall Street Journal*, March 29, 1999.
This is not a recommendation to purchase any type of investment. Investing involves risk, including potential loss of principal. One cannot invest directly in an index like the NASDAQ. 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. SFS is not affiliated with any companies mentioned above.

# Long-Term Care

By Sharla J. Jessop, CFP®

Higher premiums for long-term care policies have retirees wondering how they'll protect their nest egg.

Wealthy couples may be in a position to easily cover $10,000 a month or more for private care. But what about the couples who have diligently saved and accumulated just enough to cover their monthly living expenses? They could be wiped out financially if either spouse needs long-term care. An even greater concern: what will happen to a surviving spouse, financially speaking, if the liquid assets are used up providing care for an ailing spouse?

Options exist to help protect the nest eggs of those with limited resources. Learning about these options and understanding the rules that apply is best done when conditions are calm. Unfortunately, becoming Medicaid eligible rarely crosses the minds of retirees until a crisis arises.

One option is a Medicare compliant single-premium immediate annuity (SPIA). This option, if allowed in your state, will help the spouse living at home preserve assets to provide for his or her monthly living expenses.

Here's the basic concept. Mr. and Mrs. Jones find out that Mr. Jones needs long-term care. Under Medicaid rules, Mrs. Jones is only allowed a certain amount of assets, not including the family home. Everything over the allowed limit is transferred to a Medicaid compliant SPIA thus converting the asset to an income over her life expectancy, usually a five- or six-year period.

By the time the SPIA has paid out in full, Mrs. Jones will have sheltered the assets to create a much needed income. Should Mrs. Jones die before her husband, the proceeds from the SPIA will go to cover his care.

This option is not designed to shelter assets for beneficiaries, but rather to maintain the standard of living for a healthy spouse.

For more information contact one of Smedley Financial's wealth advisors who can answer any questions you may have and help determine if this option is something you should consider.

# Financial Four-Letter Words

By Mikal B. Aune, CFP®

There are some four-letter words that cause parents and financial advisors to cringe. Unfortunately, you may have been exposed to these words and had to cover your ears so you did not have to hear the profane language.

At the risk of damaging your sensitive ears or eyes, I will share with you some sentences and/or scenarios where those words might be used and how you can combat them with positive four-letter words.

Picture this: A young couple just moved into a brand new home in your neighborhood that seems to put all of the other homes to shame. Not only that, but there is a new boat parked behind a new truck on the RV pad. You wonder how in the world these young people can afford to live like this. This four-letter word is called "*debt*" and often goes along with "*shop*." The truth is that many of these people can't afford to live like that for long.

Many in the young generation believe they can have everything now and they don't have to work for years to accumulate wealth like their parents did. Unfortunately, there are many established adults that have fallen into the same debt trap. As they near retirement, they still have a large mortgage, car payments, and worst of all, credit card debt.

To combat this, we need to introduce two positive four-letter words, "*work*" and "*save*." Many young people believe that "*work*" is a bad four-letter word, but they are wrong. As Colin Powell said, "A dream doesn't become reality through magic; it takes sweat, determination, and hard work."[1] Both young and established can learn to "*save*" rather than spend. It isn't always easy to set money aside, especially when others around you may seem to have so much. Just remember that you should "live like no one else, so later you can live like no one else."[2]

A four-letter word often muttered in frustration by parents is "*kids*!" This word often makes financial planners frustrated as well, especially when parents put their own retirement at risk in order to help "*kids*" out.

In the early years, parents may fail to put contributions into their retirement plans because they are taking care of their "*kids*." In later years, parents may take out too much money from their savings to help their "*kids*" out.

To save parents from their kids, the parents must create a "*plan*" and learn to stick to it. In the early years, stay dedicated to saving your money in your "*401k*" or "*Roth*" IRA. Use the opportunity to teach your kids about saving and planning.

In the later years, learn to "*give*" responsibly. Allowing your kids to struggle can be highly beneficial. You don't need to help them out of every tight jam or it might teach them learned helplessness.[3]

One big four-letter word that people seem to ignore during good times is "*risk*." Most people want to get a good return, but "only when the tide goes out do you discover who's been swimming naked."[4] We have seen

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too many people get caught by a "*scam*" and "*lose*" their shirt because they ignored the warning signs.

Be sure to take a balanced approach with your investments based on a solid "*plan*." Some of your investments can be on the riskier side, but you should always have some money with less "*risk*."

Now, wash your mouth out with soap and stop saying the bad four-letter words. To feel financially prepared, focus on the good four-letter words: *work*, *save*, *401k*, *Roth*, *give,* and *plan*.

1. http://inspirationfeed.com/inspiration/quotes-inspiration/100-inspirational-quotes-about-hard-work/
2. http://www.debtfreeadventure.com/live-like-no-one-else/
3. http://www.empoweringparents.com/Learned-Helplessness-Are-You-Doing-Too-Much-for-Your-Child.php
4. http://www.brainyquote.com/quotes/quotes/w/warrenbuff383933.html

# Top Credit Cards
## (And How To Use Them)

By Rodney A. Walker, CFP®

There is a never-ending battle among credit card companies to offer promotions and rewards that entice people to switch cards, and the deals are becoming sweeter and sweeter.

The website creditkarma.com lists current promotions on credit cards to help consumers compare which card is right for them. Here are some top examples of promotions and rewards that credit cards are offering.

- **0% interest for 14 months on balance transfers and new purchases.**
- **0% interest until December 2015.**
- **$100 cash when you spend $500 on new purchases.**
- **Large bonus miles.**

If you are searching for a new credit card or looking to switch cards, here are three tips to help you find a card that will work for you.

**1. Look beyond the promotion:**
Cards offer great promotions to lure consumers in, then when the promotion ends the high interest begins. People have great intentions to transfer balances before the promotion ends. Unfortunately, life gets busy and the transfer never happens. Look for a card that offers a good long-term low interest rate.

**2. Reward yourself:**
Find a credit card that pays rewards you enjoy. If you love to travel, find and compare all credit cards that cater to travelers. If cash back is a reward you enjoy, research the restrictions. It could be that you will not earn a full one percent until you spend ten thousand dollars or there could be a maximum cash back reward.

If you have more than one credit card, make sure you know why you have each card.

**3. Try running expenses through one credit card:**
Where possible, run expenses through one card and consider consolidating other cards. Drop the less rewarding credit cards and use the card that will reward you the most.

Promotions and rewards should never be used to encourage someone to go into debt. Rather, use the reward system that credit cards offer to reward yourself.

# 5 Costly Scams Targeting Retirees

By Lynette S. Watts

Con artists are using many schemes to prey on retirees. Don't let your family members become victims of these prevalent scams.

1. Since October 2013, the Internal Revenue Service (IRS) has reported over 290,000 scam calls. In these calls, the scammers claim to be from the IRS, declaring that the taxpayer owes money. The scammers threaten legal action and even arrest.

2. Scammers will also call seniors pretending to be their grandchildren in need of money. They start the conversation like this: "*Hi, Grandma. Do you know who this is?*" Once they guess the name, the caller takes on that identity and asks for money.

3. Beware of unknown, online pharmacies. With the cost of prescription drugs on the rise, some seniors go online looking to save money on prescription drugs and homeopathic remedies. Some fraudulent online pharmacies will take the money without ever mailing the drugs.

4. Another scam has con artists reading obituaries in the local paper and calling the family of the deceased claiming that there are unpaid debts owed.

5. A few unscrupulous funeral homes have also targeted retirees by encouraging them to purchase ridiculously expensive caskets. These same places also add unnecessary charges that are unfamiliar to the senior and more often unnecessary. The best defense is to go with a family member or friend to help look over everything at that vulnerable time of life.

These are just a few of the scams and they can affect everyone, not just retirees.

## "Your Wallet Without the Wallet"[1]

By Shane P. Thomas

The days of searching for your wallet are getting shorter now that Apple has introduced Apple Pay. There is convenience and security that comes by passing your iPhone over the payment terminal with your finger on the Touch ID sensor.

Apple Pay works with the newest iPhone 6 and 6 Plus, once you've stored your credit and debit cards inside of the Passbook app. Apple Pay is supported at over 700,000 locations across the U.S., with more added every day.[2] Many iOS apps are also being updated to allow payments right from within an app.

Besides being easy to set up and use, Apple Pay makes payments more secure. This is welcomed news following the Target, Home Depot, and numerous other data breaches where millions of customers' information was stolen.

Apple Pay is different. Its payments are made with a unique device number and a transaction-specific, dynamic security code.[1] In other words, your credit card number is not shared with every merchant.

Of course, you have to be careful who you release your information to, but with Apple Pay that list can be much smaller.

You can secure your phone by using a passcode and the Touch ID fingerprint scanner. What if you lose your phone? You can remotely use *Find My iPhone* to locate it and put it in *Lost Mode* which suspends Apple Pay. You can also choose to wipe all data from the device.

If you haven't used Apple Pay, give it a try. Take advantage of the security features and see if you can avoid continually searching for your wallet.

For those that are non-iPhone users, Google and Samsung have recently upgraded or are introducing new services to encourage mobile payments.[3]

At this time, your wallet is not completely useless, but it appears the end is in sight.

1. https://www.apple.com/apple-pay/
2. http://bgr.com/2015/03/12/apple-pay-coke-etsy-kickstarter-gamestop-marriott-jamba-juice/
3. http://www.fool.com/investing/general/2015/03/14/samsung-pay-vs-google-wallet-vs-apple-pay-drawing.aspx

# *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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