November – December 2019

Money Moxie®

Just when you think you have things figured out, the world changes.

Smedley Financial Services, Inc.®

TAILORED FINANCIAL STRATEGIES FOR YOUR LIFE

Trusted Since 1982

Sharing Your Financial Stories With The Next Generation

Dear valued clients and friends,

We have the delightful opportunity to work with multi-generation clients. The difference in each generation surrounding what they value, how they view money, and where they place importance on things versus experiences is fascinating. Each generation has a different outlook on life and their opinions surrounding happiness.

In our work with multi-generations, we find it exciting to see how youth gain a different perspective when they hear what their grandparents or parents did to earn money when they were young. It provides them with a sense of understanding and appreciation for the sacrifices of older generations. I believe it also deepens the relations between the generations. I certainly value the stories I have heard about the financial challenges, successes, and failures of my parents and grandparents.

We are preparing for a youth financial summer camp next year. It will provide young people the opportunity to learn about money while they are still forming ideas and habits they can take into adulthood. One of our presentations will focus on ways they can make money through creative summer jobs. For this purpose, we are compiling information to share with the next generation and would love to learn about your experience as a youth. In the next month, we will be sending an email asking a few basic questions such as:

- As a teenager, what did you do for summer work?
- How much did you earn doing that job?
- How many hours did you work each day?
- What time did you go to work?
- How did you get to and from work (walk, bus, parent, bike)?
- What did you love about that job?
- What valuable lessons did you learn?

Please help us by answering the questions. Your response will be anonymous unless you wish to be recognized. Thank you in advance for helping us guide future generations to financial success! Thank you for your business and your friendship.

Happy Holidays,

Sharla

Sharla J. Jessop, CFP®
President

2019 Climbing a Wall of Worry

Watch for information in January about our year-in-review webinar – one of our most highly attended. As we close out 2019, we take the opportunity to reflect on the past year and evaluate our past predictions. What did the economic indicators show at the beginning of the year versus what actually took place? Based on current economic indicators and the election year, what can we anticipate in 2020? You won't want to miss valuable information.

Who Do You Trust?

By Sharla J. Jessop, CFP®

We like to think of our families, particularly our children, as centered individuals who understand the value of maintaining important family relationships. If you don't think your family fits into this blissful picture, don't take it to heart. Family dynamics can be challenging, and relationships can be fragile. This is especially true when there are difficult circumstances.

It's not uncommon to have family members struggling with drug dependency, divorce, mental health, poor spending habits, or lack of financial independence. The list is inexhaustible. Sometimes there are family members who cannot get along. However, rather than sidestepping these sensitive issues, they should be addressed.

These emotionally consuming issues can become roadblocks when it comes to designing your estate plan. So much so that many take the position, "I'm not going to worry about it. I'll let my kids handle it when I'm gone." Unfortunately, rather than bringing families together during times of crisis, this approach can have the opposite effect. It can pit one family member against another.

It is common for families to name one or two of their children to act as trustee or co-trustees and personal representatives. This works well in families where children get along, there are no special circumstances, and your estate is straightforward. In these situations, you may feel confident your children can handle your estate the way you intend.

In our visits with clients, we often hear that they don't want to burden their children. However, making them trustees when there are difficult circumstances may do just that–create a burden. Luckily, the situation can be remedied by using an independent trustee when designing your family trust. Upon your death, as trustee, they handle all distributions from the trust and assist in the sale of assets when needed. Their responsibility is to handle your estate the way you want. They deal with your family in a kind and understanding way, but they are also diplomatic. They can make hard decisions, something that may be hard for a family member who wants to take care of others or could be easily manipulated.

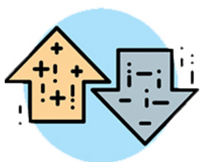
Avoiding conflicts of interest is critical when it comes to finding an outside trustee. You want things handled your way, not the bank or brokerage firm's way. When researching an outside trustee, we recommend finding one that is independent. This means he or she is not affiliated with a large company.

Let us help you maintain healthy family relationships. If you think you may need the service of an independent trustee, give us a call. We can share our research and advise you on a trustee that may work well with your family.

Year-End Tax Strategies

By Mikal B. Aune, CFP®

We are closing in on the holiday season. Before you slip into the holiday mode, let's talk about a few ways you can wrap up the year!



The market has had an incredible run. This is an excellent time to look at your non-retirement accounts to see if you can take advantage of tax harvesting.

If you have an investment that has gained $10,000 and another that has lost $10,000, you can sell both investments and avoid paying tax on the capital gains. This matching of gains and losses is known as tax harvesting.

The gains and losses do not have to match exactly, but your gain and loss have to both be long term or short term. If you have held an investment for more than a year, it is considered a long-term capital gain and would be taxed at capital gains rates. If you have held the investment for less than one year, it is considered a short-term gain and would be taxed at the higher ordinary income tax rates. Either way, the resulting tax savings can be significant.

Here's a win-win strategy. If you don't have losses to offset your gains, you can still get tax relief by donating to a cause about which you are passionate or your favorite charity: church, school, food bank, hospital, etc. Consider this – donating an appreciated investment directly to your charity of choice will avoid taxes.

To qualify, you must have held the investment for more than one year, and it must have appreciated in value. You avoid paying taxes, and the charity receives the full value of your donation tax-free. The money you would have donated can be used to purchase another investment to start the process over again.

Current tax rates are at historic lows. Consider converting money from a traditional IRA to a Roth IRA. You can choose how much to convert. For example, if you have room for another $10,000 of income before you hit the next marginal tax-bracket, make it count.

Before the year ends, convert $10,000 from your traditional IRA to a Roth IRA. If you are under 59 1/2 years old, you will have to pay tax on the conversion with other money – say from a savings account. If you are over 59 1/2, you can have taxes withheld from the distribution.

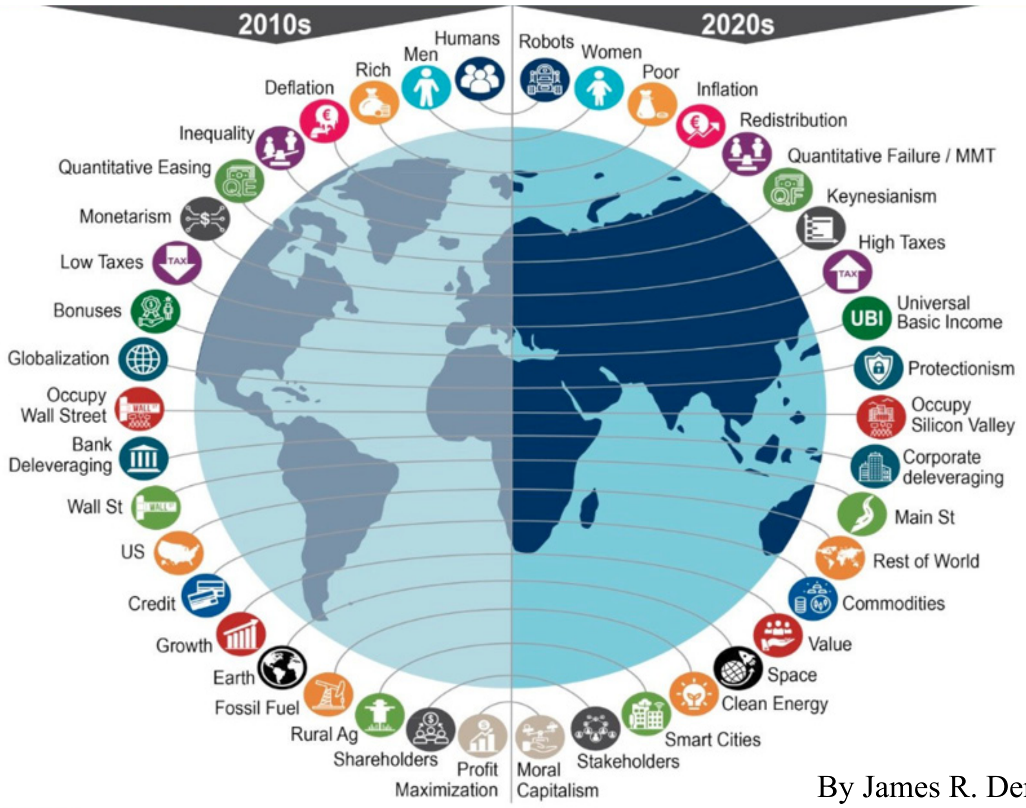
The benefits of Roth IRAs are tremendous. Roth IRAs grow tax-free, meaning you never pay taxes on the earnings, there are no required distributions at any age, and if you do not use the money during your lifetime, your beneficiaries receive the money tax-free!*

If you are over 70 1/2 years old and you have an IRA, you can donate part or all of your Required Minimum Distribution (RMD) to your favorite charity and pay no taxes. This distribution is called a Qualified Charitable Distribution (QCD). The distribution still satisfies your RMD. This cannot be done from a 401(k). If you have a 401(k) and want to take advantage of this next year, you need to roll out your 401(k) before the end of the year. SFS

**Tax-free withdrawals if certain conditions are met: a five-year account aging requirement and attaining age 59½, becoming disabled, using up to $10,000 to buy a first home, or upon death. SFS and its representatives do not provide tax advice; it is important to coordinate with your tax advisor regarding your specific situation.*

Investment Truth

Just when you think you have things figured out, the world changes.



Source: BofAML Global Research

By James R. Derrick Jr., CFA®

As investors, we get excited when the markets rise and fearful when they fall. The world is always happy to give us advice. At SFS, our goal is to identify the truth in the cacophony of headlines so we can implement strategies to help you navigate a changing world.

We may be tempted to believe that if we work hard enough, we can predict what will happen. This is not true. The stock market seems to move in the direction that surprises the greatest number of people. Just when investors think they know, the world changes.

Following rules can help us avoid many investment mistakes. Over long periods of time (10+ years), the U.S. markets have almost always been positive. Implementing this rule means this: stay invested.

Warren Buffett described the stock market as a mechanism that transfers money "from the impatient to the patient." You will feel more patient in difficult times if you have a customized financial plan with your goals and a plan of action.

Volatility is normal. The ups and downs are a part of investing, but they are exactly what leads to poor decisions. Combat this tendency with diversification and risk management.

In theory, good diversification should mean that a portion of your portfolios is making money. In reality, there is no guarantee, but diversification still helps.

Measuring risk begins by accurately determining how much risk you can and should take. Take too much and there is no way you can make good decisions in the storm. Take too little and you won't reach your goals. Oscillate back and forth between the two, and you are likely moving backwards.

Our advisors at SFS can help you know how much risk is appropriate for you, and we can get you in a portfolio to match that need.

These are just a couple of my rules that help me maintain successful strategies in a world of endless opportunity and obfuscation. We blend all the rules with the economic realities we see in order to give you the best advice and portfolios that we can. SFS

*Research by SFS. Investing involves risk, including the potential loss of principal. S&P 500 time period chosen to display a sample of the timing of government actions. The S&P 500 is an index often used to represent the U.S. stock market. One cannot invest directly in an index. Past performance does not guarantee future results. The opinions and forecasts expressed are those of the author and may not actually come to pass.

The Biggest Threat To Your Retirement

By Leah Nelson

Admit it. Your adult children still live in your basement. Talking about the effects of caring "too much" for adult children by financially supporting them is an uncomfortable conversation, but it is an important one.

When there are no financial boundaries set between parents and adult children, the ensuing relational volatility could be a far greater threat to retirement than market volatility. Now, I'm not talking about helping fund a child's education or paying for a wedding. The real problem begins when parents pay for their adult children's cars, insurance, food, or even vacations. This may sound ridiculous to some, but studies suggest that 79% of parents provide some form of financial support to their adult children. In fact, just over 50% of parents say they have even sacrificed their own retirement savings to help their adult children.

So, what should you do??

(1) Separate your retirement money from your other money. Keep it off-limits. Retirement money should only be used for retirement! Try to think about retirement money as untouchable.

(2) Try changing up the way you are helping your adult child. Try to figure out ways to help that don't include giving money, like helping with a resumé or reviewing their budget with them. Don't come to the rescue too quickly. Rushing in to fix or solve your adult child's challenges will hinder their opportunities to develop and practice independent problem-solving skills.

(3) Set clear expectations. Helping your adult children get on their feet when they're down and out is not a bad thing. Just make sure they know what is expected of them. You could tell your children you will help them for a certain amount of time and during that time you expect them to do things to improve their life situation. Keep reminding them of the deadline, talk with them often about their progress, and keep them accountable.

(4) Don't take on the blame for their struggles. Irrationally blaming yourself for your child's struggles will likely lead you to enable them by impulsively solving their problems. Parents, of course, are not perfect, but most try their hardest to be supportive and provide their children with a loving home. It is not uncommon to see children who were raised with many advantages end up struggling to thrive as adults, just as it's not uncommon to see children who have had adverse family lives achieve impressive things.

(5) Remember to take care of yourself too. Parents of struggling adult children are often wracked by guilt and worry, which leads to poor sleep, unhealthy eating, and problems focusing. Worrying yourself sick will not help your child. Don't be afraid to reach out for help from a professional counselor, friends, family, or support groups for family members of people with addictions or mental illness.

References for studies mentioned:
https://www.cnbc.com/2018/10/02/parents-spend-twice-as-much-on-adult-children-than-saving-for-retirement.html
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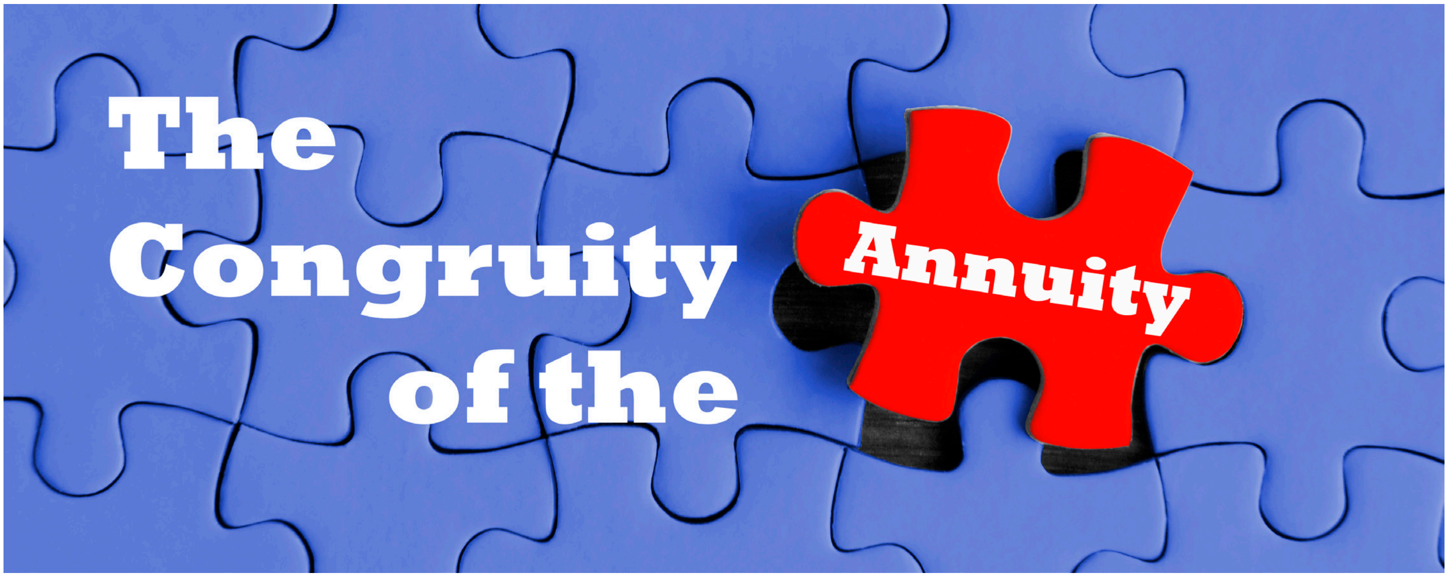

By Jordan R. Hadfield

Too often we have people come into our office after having just attended a free dinner that preceded the purchase of an annuity. "A guaranteed return with no downside risk" is what they believe they now own. That sounds great. I would purchase that too. However, it isn't until after a lengthy conversation that they begin to understand how their annuity truly works.

Congruity {Kuh n-groo-i-tee]
Noun, plural Con*gru*i*ties

(1) The quality of being in harmony; agreement;
(2) The appropriateness of one piece in relation to others

An annuity can be a great financial product if it is congruent with the overall portfolio. There are times we use annuities to accomplish specific objectives and are pleased with how they perform in these situations. The problem we often see with the annuity is not the product itself, but how it is used. In other words, the ambiguity of the annuity can lead to incongruity, and the solution could require some ingenuity.

Annuities can be complicated. If you are considering an annuity, make sure you understand how it fits into your financial plan…and also its policies, fees, expenses, commissions, terms, benefits, exclusions, riders, investment options, and waiting periods. Due to their complexity, they can be easy to misuse, which can create significant financial problems.

An annuity is a contract between you and an insurance company. There are three main types of annuities: fixed, indexed, and variable. Each type has its own objectives and fits into a financial plan differently. Each type also carries its own expenses, level of risk, and earning potential. Even within their individual types, they can vary greatly depending on the insurance company that issues them.

Annuities can be expensive. The average annuity costs approximately 3% per year. It is important to understand that there are often expenses you don't see. Unfortunately, too many salesmen do not clearly explain the costs, nor how they are applied. I have seen annuities advertised with "No Fees!" In truth, however, these same annuities carry large expenses.

It is also important to understand that annuities are illiquid. This means you can't access most, if not all, of the money in your annuity without surrender charges for a significant period (usually 7-10 years). Annuities are long-term investment contracts and you'll pay hefty fees if you take your money out too soon.

Again, we believe annuities are great at doing what annuities do. It just isn't often we meet with people who have a need for them. If you are wondering whether an annuity is right for you, come and see us. We will always be upfront and honest about the cost and structure of the products we sell. If an annuity does make sense in your financial plan, we'll help make sure you purchase the most appropriate and cost-efficient annuity for you.

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

Employers and Self Employed
- Health Insurance
- 401(k) Plans

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