

July - August 2014

Money Moxie[®]

Encore! Encore!
Have You Considered
Living a Legacy?

FINANCIAL SOLUTIONS FOR YOUR LIFE



SMEDLEY FINANCIAL SERVICES, INC.[®]

The Stock Market Versus Gambling

Dear Valued Clients and Friends,

Perhaps you have heard others say, “The stock market is just gambling.” Or, “I don’t trust the Wall Street Casino.” It seems that many people believe that putting money into the stock market is tantamount to gambling.

Nothing could be further from the truth! People voicing such remarks and the people who believe them are all ignoramuses! But you are not among them. Let’s refresh your memory. Here, in a nutshell, are the differences between gambling and investing in the stock market.

The stock market is not like a game of chance. In a game of chance:

1. The amount of money remains fixed. (Taxation is at ordinary income tax rates. Losses are not allowed to be deducted unless you are considered to be a “Professional Gambler.”)
2. There is only one person who stands to “win” (using that term loosely). (In gambling, it’s “winner take all.”)
3. The odds of winning are not in your favor. (If you don’t believe me, ask yourself this question: “Who paid for all of those monolithic buildings in Las Vegas?” They clearly weren’t paid for by you winning! The Las Vegas odds are decidedly against you.)
4. The money is considered to be “immoral money,” that is, “something for nothing.”

By contrast, stock market investors:

1. Could derive a steady stream of income and capital gains over long periods. (Taxation includes treatment at the more favorable long-term, capital-gains rates as well as at ordinary income tax rates. Losses are allowed to be deducted.)
2. May expect to profit when a diversified portfolio of securities is held over the long haul. (All investors participate in profits and losses based on their share or percentage of ownership.)
3. Find that the risk/reward ratio buying and holding long-term is relatively low. (“History convincingly demonstrates that stocks have been and will remain the best investment for all those seeking long-term gains.” Jeremy J. Siegel, November 2013.)
4. Do not have “immoral money.” (Investors get “something for something.”)

So don’t be fooled by the ignorant and uninformed. “...Stocks have been and will remain the best investment for all those seeking long-term gains.”

Bullish Best Wishes,



Roger M. Smedley, CFP®
President

Maximize Your Social Security

Join Smedley Financial for a free Social Security seminar where we will discuss the options and strategies you can use to maximize your benefits.

Tuesday, September 23rd at 12:00 PM

Please bring anyone who can benefit from this valuable information. Lunch will be served. Seating is limited and RSVP is required. Please call us at (800) 748-4788 to reserve seats for you and your guests.

Encore! Encore!

Leaving a legacy is wonderful, but have you considered living a legacy?

By Sharla J. Jessop, CFP®

Up to this point in your life, your time has been spent working hard, increasing your knowledge, honing your skills, and cultivating connections. Many experiences – some good, some not so good – have shaped the person you have become. As you head into the next stage of your life, what will happen to the institutional knowledge you have gained? You can significantly benefit and enhance the lives and experiences of others by sharing your knowledge and giving your time.

Facing the next phase of life can be perplexing as you decide how to spend your time. Recreation is great in small doses, but can become tedious when practiced every day. In recent years a trend has developed presenting opportunities for you to make a difference. It's time for your encore!

Encore careers result from many different situations. Some begin at retirement but more often there are other pressing factors that push us to make a personal change. Sometimes it's just being open to new ideas and opportunities.

An opportunity is presented.

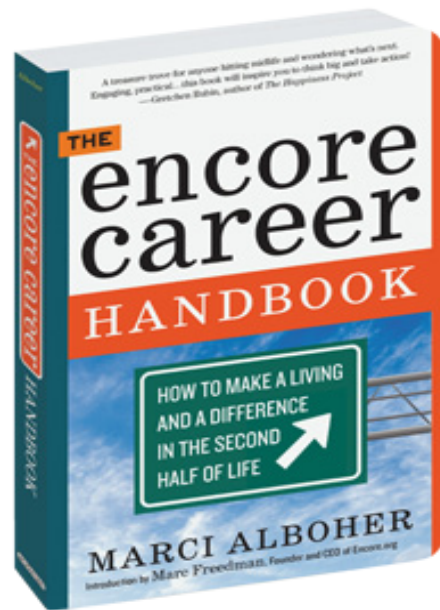
Rachel Pike is passionate about the foundation she serves. She is the Executive Director of Reliance Children's Foundation. Just over three years ago Rachel was approached with an opportunity to start and head a new non-profit organization. Although she had no previous experience in foundation work, her skills teaching school and college, as well as writing curriculum, were put to good use.

Reliance Children's Foundation helps the families of children with critical and terminal illnesses. The foundation provides support to families such as: paying rent, providing bus passes or gas cards so families can get to and from the hospital, and other necessities that are often

overlooked but greatly needed. These services allow the families to focus their attention on their children.

Rachel says that through her experience she has learned new skills, become more confident in her own abilities, and moved outside her comfort zone. She feels privileged to experience first-hand the strength, courage, and resilience of people facing serious, sometimes devastating circumstances.

She has also witnessed the willingness of others to make a difference in the world. Rachel is the foundation's only employee. Flexibility allows her to work from home and be available to her three teenage children. All other services and funds of the foundation are received from wonderful people who are willing to share their time, expertise, and knowledge to make someone else's life a little better. Through her experience she has made lifelong connections and friends.



Rachel recommends that if you are not sure what to do or where to start, just jump in. Volunteer your time at a local charity or discover something you are passionate about and find a way to make a difference. There is no limit to the need around us – in our community or elsewhere in the world.

We see many wonderful people like Rachel making a difference. Your encore situation will be unique to you and your passion and your stage of life.

Follow your passion and make money.

Are you itching to make a change? A driving desire to do what you've always wanted may push you towards an encore career. Your chosen career has permitted

you to provide for your family and build wealth for the future but also requires you to defer your dream. Regardless of your age, young or old, now may be the

Continued on next page

time to follow that dream. Learn everything you can about your passion and find a way to be compensated for doing what you've always wanted. Love what you do, increase your career satisfaction, and live a legacy.

Second acts for a better world.

Maybe you're ready to throw in the towel. If you've saved enough to live comfortably, you may be ready to give back without financial gain. Giving your time and talent voluntarily to improve the lives of others creates a legacy that will go on for generations.

Start a new social venture or join with others to have a greater impact or tackle larger projects. Perhaps an experience of someone close to you is spurring you to become active in a cause. There are many worthy causes that need your time and your talent. Seek them out, find out what you can do. Whether helping out on the front line or working hard in the background, the choice is yours.


Increase your flexibility and accomplish more.

Perhaps you enjoy your day career but want to do more. A flexible career allows you to get things done at work and then spend your excess time focusing on other

activities. Sharing your passion may be as simple as teaching boys how to fish. The idea doesn't have to be grand to make a difference. Giving of your time is living a legacy. Match your skills and interest and find a way to make a difference in society; today, tomorrow, for generations to come.

Sounds a little overwhelming, but it doesn't have to be. There are many tools and resources to guide you through the process of beginning an encore career.

The Encore Career Handbook by Marci Alboher is one good resource. In her book Marci walks you through the decisions and steps you will face as you enter this stage of your life. You may not feel that you're at that stepping off point. However, much preparation is needed before a change can be made. Now is a great time to begin thinking of the opportunities. Find happiness by helping others.

If you would like to explore your encore possibilities, contact our office to attend an Encore workshop or schedule an appointment to speak with one of our wealth consultants 800-748-4788. 

Leaving For a Few Years?

If you plan to leave for a few years how will you protect your property? Homes that are left alone for an extended period of time are potentially susceptible to more damage. Here are a few precautions that may help prevent and limit potential losses.

- 1) Have someone inspect your home regularly. A visual inspection of your home, inside and outside, can alert someone of a leaking pipe, outside water flow, broken windows, etc.
- 2) Have your neighbors keep an eye out for unexpected visitors or deliverers. A potential burglar may be dissuaded from returning if they think someone is watching them.
- 3) Suspend mail and periodical deliveries. A stack of newspapers on the porch or a full mailbox invites the wrong type of attention.
- 4) Keep your grass cut and driveway clear of snow. A home that looks lived in will deter thieves and vandals.
- 5) Verify your homeowners insurance. Check with your agent to make sure there are no clauses that will limit or void your coverage while you're away for an extended period of time. Determine if any riders or additional insurance must be purchased to protect your property.

3 Reasons to Run with the Bulls

By James R. Derrick Jr., CFA

Our current bull market is more than five years old. Since hitting a new high on March 28, 2013, the S&P 500 has continued to reach 67 more records—averaging almost one each week. Is this market too strong to continue or is it too powerful to end now?

Herbert Stein famously said, “If something cannot go on forever, it will stop.” This undisputable fact is profound in its application to life and investing. In other words, planning for growth over a lifetime is reasonable, but a new high every week is an unrealistic expectation.

On March 28, 2013, the S&P 500 stock index reached a new, record breaking high. I wrote about this event in the following *Money Moxie* article, “Patience is a Rewarding Virtue.” My conclusion then as it is now was to continue to hold on. Making money is what stock ownership is all about. I also pointed out that “The average return following a new high is positive for 1, 2, 3, 6, and even 12 months following the high.” Fortunately for investors that forecast was correct. In the 12 months following that new high the S&P 500 made over 18 percent.

Don't Fear a Correction

This is an unusually strong time to be investing in U.S. stocks and it will not last forever. The S&P 500 averages one 10 percent correction each year and a few 5 percent drops. This is all it takes to spook some investors, causing them to miss out on the growth that follows.

While short-term events can be shocking, long-term returns are predictable. Investing in a diversified portfolio for long periods of time, such as 10 or 20 years, almost always yields positive results. Whatever happens, hang in there. Once we accept the fact that corrections are a normal part of stock investing we will begin to see them as opportunities to invest.

Indicators Look Good

Bear markets are typically defined as a drop of 20 percent or greater. These large drops are extremely difficult to predict. (Those who do are like broken clocks—correct only twice a day.) However, bear markets have some common threads.

1. The yield curve is the difference between long-term and short-term interest rates. It has turned negative around nearly every bear market in the last 50 years, but it is extremely positive right now.



2. Energy prices matter more than any other price in the world. Oil use has an impact almost ten times greater on the economy than any other commodity. So it is no surprise that oil prices have spiked around the end of bull markets in the last 40 years. (1987 was the only exception!) Right now, oil prices look relatively stable and thanks to growing domestic production there is reason to think it will continue.

3. Consumer spending represents 70 percent of the U.S. economy. On average, Americans are spending nearly everything they make, so we cannot expect much more from them. Improvement will come as the number of unemployed workers drops and as employers raise wages. While watching for increases has been like watching paint dry, it is happening. Momentum is positive in the jobs front.

Conclusion

New market highs come for a reason. The economy is continuing to improve. The most important indicators are pointing in the positive direction. The greatest warning sign in stocks is that returns have perhaps been too good. That alone is only enough fuel for a small correction, not a major bear market. When one of these corrections comes we should try to see it as an opportunity. This is an incredible time to be an investor. SFS

*Research by SFS. Data is from the Federal Reserve Bank of St. Louis. Investing involves risk, including potential loss of principal. The S&P 500 index is often considered to represent the U.S. 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. 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.

Building a Business

Part Three: Marketing

By Rodney A. Walker, CFP®



To be successful in business you need a winning formula to market and brand your company. Here lies the dilemma—getting your business noticed with a limited budget. The good news is you can get the word out with minimal capital outlay.

1. Refine your message

The average attention span of an adult is eight seconds according to Statistic Brain. A short concise speech that expresses your company’s benefits, often called the elevator speech, helps customers quickly recognize the benefits of your products or services. Your speech should be influential; distinguishing your company from others.

2. Define and develop your niche

A niche can be easily cultivated when your business is built around things you are passionate about. This creates a natural niche; you are already involved with and know other niche members. To create a presence within a niche, determine who is best served by using your products or services. What do these people have in common? Become immersed in your niche. Get involved in service projects, social media, periodicals, events, clubs, or committees that focus in your niche market.

3. Get people in the door

Everybody likes to save money—free is even better. Statistics show that 60 to 80 percent of consumers use coupons. This can be a great way to bring in new business.

Look for ways to offer savings whether you decide to call it a coupon or an incentive. Discounts represent

significant savings on a product or service. In some industries that may mean 5 percent, but in others it may be much higher. Giveaways represent a free product or service with benefits that make it hard to turn down. The key here is to offer something of value that will excite potential clients and entice them to use you again. Examples could be “free consultations,” “free samples,” or “free quotes.” Be creative! Implement an incentive that is ideal to your business.

4. Share your value with others

Social media is a fast way to get in front of people. Facebook, Pinterest, Twitter, LinkedIn, YouTube, and other sites allow those who are excited about your products or services to share their experience with their friends.

5. Create an online presence

Your website may be the first impression for potential customers. Prominently portray your company’s image and message so viewers can easily assess the value of your products and services. Display your discounts and incentives. Give customers a reason to return to your website again and again. Keep it updated with content that will enhance your image to your target market. Remember to tie your website to social media so that customers can easily share their opinion with others by “Liking” your web page.

6. Ask for referrals

By far, referrals are the best marketing tool. The New York Post reported 65 percent of new business comes from referrals. Consumers want to buy from people they know and trust. Texas Tech stated 83 percent of consumers are willing to refer after a positive experience-yet only 29 percent actually do. Asking for a referral will help bridge that gap. Practice ways in which you feel comfortable approaching customers for referrals and get started. After a few requests, you will find it’s not as hard as you may have believed.

There are many creative ways to market a business on a limited budget. Carve out time regularly to focus on and update your plan. Remember, the goal is to get in front of potential clients so that your dream becomes a reality. SS

How Long Will You Live?

By Mikal B. Aune, CFP®

Financial planning would be a lot easier if we knew exactly how long each of us was going to live. Then you theoretically could spend your last dime on the day that you die, as the old adage goes. As it is, we are left to try to make certain plans around uncertain events.


JP Morgan created a retirement guide that shows your life expectancy probability at age 65. This may provide a little guidance as you plan for the future. No one knows for sure how much time they have to live, and there are a multitude of factors that contribute to your longevity, such as health habits and family history.

More than anything, these life expectancy statistics may help you from falling into the trap of thinking you will die early, when in fact you may have many wonderful years ahead of you. For example a 65-year-old woman has a 33 percent chance that she will live to the age of 90. Those are pretty good odds. Sorry men, your prognosis isn't quite as good, but a 65-year-old man still has a 21 percent chance of living to the age of 90. A couple, where both are 65 years old, has a whopping 73 percent chance that one of them will live to the age of

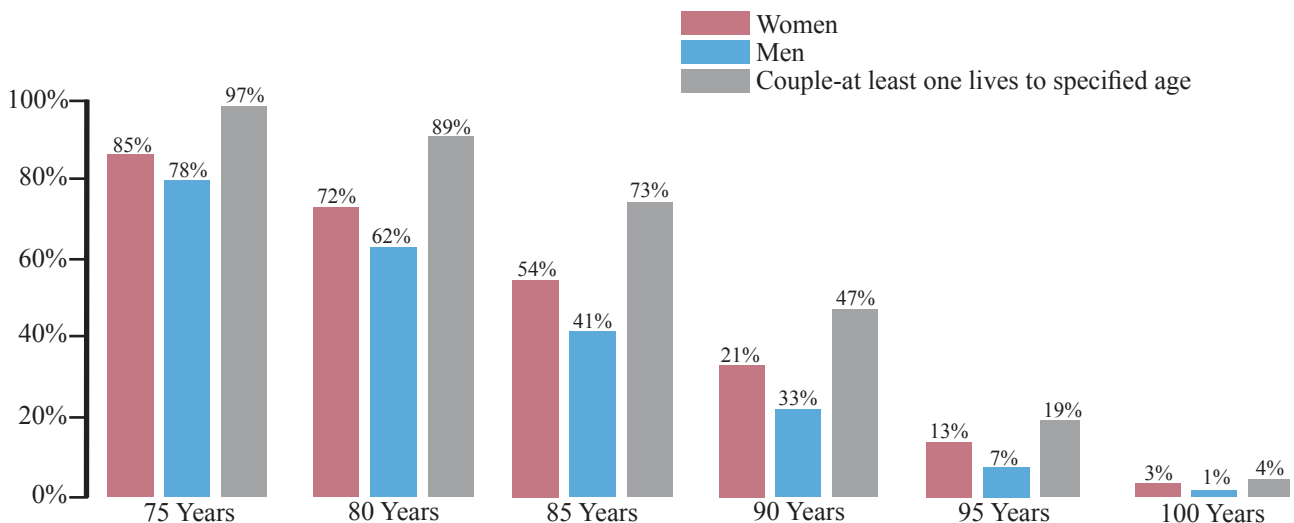
90.

This increased longevity in large part is due to better health habits and improved health care, among other factors. These statistics are very generic, but they may cause you to rethink your retirement plan. It is better to plan to live a long life and save too much money, rather than spending all of your money and living too long. Statistics show that more people are afraid of running out of money than dying.

Of course there is always a balancing act between living the lifestyle you want in retirement and making your money last for your full retirement—counsel with a competent retirement planner to make sure that you are either saving enough for retirement or that your spending plan won't leave your financial well dry.

You may or may not want to know how long you may live, but it is always a good practice to plan for best and worst case possibilities. 

If you are 65 today, the probability of living to a specific age



Your SFS Team

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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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