September - October 2013

Money Moxie®

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The Ultimate Marathon
RETIREMENT

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SMEDLEY FINANCIAL SERVICES, INC.®

If You Think Financial Planning is Expensive, Try Ignorance

Dear Valued Clients and Friends,

The poor don't have a monopoly on uninformed financial decisions. Some years ago I was invited to make a presentation to a group at a country club. I passed a clipboard around and asked each participant to write down how much money he or she had lost through poor decisions. After recording the lost amounts, I asked each person to fold the paper over, thus covering his or her answer, and pass the clip board to the next person.

After the clipboard had been passed around the room, I added the losses. Before revealing the group's cumulative loss, I expected the amount to be in the tens of thousands or, perhaps, in the hundreds of thousands of dollars. Boy was I wrong. The total cumulative loss was in the millions of dollars!

We routinely find people who have made poor or uninformed financial choices. Assuming you know the smarter choices and rules regarding money, or assuming that something is not a scam, can be disastrous—not only affecting you, but also your spouse and future generations!

You've worked hard to accumulate your nest egg. We believe you have to work twice as hard to protect it so that it will last as long as you do. How do you do this? By avoiding unnecessary risk. No one cares, works harder, or stands to benefit more from your financial decisions than you and your posterity.

Prudent planning, especially at key turning points in your life will help you realize the full benefit of your financial choices. But through unwise choices, without a financial guide, you will encounter pitfalls that may turn into serious consequences and losses.

Making a choice is one thing, but is it the best choice for you? We've seen clients in tears because they have acted without talking to us first. Making your money last as long as you do requires sophisticated planning. It is both an art and a science. Let us help you determine your financial destiny. It's a free call and consultation.

Bullish Best Wishes,

Roger

Roger M. Smedley, CFP®
President

This Year's Hottest Topics Impacting Your Money

Join us for our next workshop where you will:

- ► Discover powerful strategies to maximize your Social Security before you retire.
- ► Gain confidence in your decisions regarding Medicare.
- ► Get year-end tax tips.
- ► Find out where SFS sees opportunities as 2013 comes to a close.

Thursday, October 24, 2013 • 6:00 PM • Noah's • South Jordan

RSVP to (800) 748-4788

The Ultimate Marathon RETIREMENT

By Sharla J. Jessop, CFP®

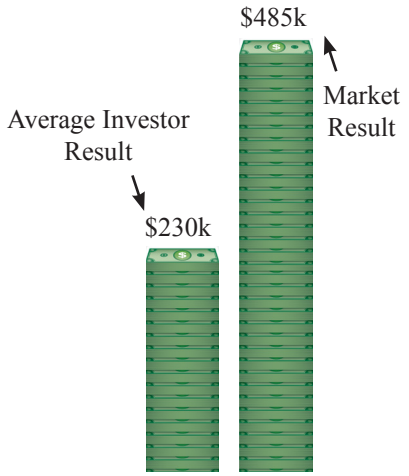
Top notch athletes have something in common. Each possesses a strong commitment to endure to the end. Marathon runners spend countless hours working towards a single goal–completing the 26.2 mile run at marathon pace. When accomplished, many begin preparing for the next marathon.

Richard J. Carling personifies a top notch marathon competitor. He began running at age 39, for health reasons, and at age 75 he's still going strong. He runs four marathons every year.

In October, Richard will be running in the St. George Marathon, his 145th marathon.

I asked Richard how he got started. He said, "*Before I started running, I didn't think I needed a plan to stay healthy, I thought I was fine.*" After his health scare he was told he needed to do something and running was recommended. Now he has a plan and a strategy, which he follows to stay healthy and compete in marathons.

Protect Your Money



This hypothetical illustration shows the difference 3.96 percent would make over 20 years with an initial investment of $100,000.*

A runner's journey begins with an assessment. Fitness level, personal needs, and race terrain become the basis on which their training program is built. If these areas are not addressed, the runner will have little chance of reaching the goal. For instance, someone with a physical ailment must take precautions to protect themselves from injury. Someone who will be competing at a high elevation, like the Colorado Rockies, must do more than train at sea level. The key is that each training plan is very personalized to the athlete and the goal.

Planning for retirement begins much the same way. ***First you must determine what it is you want to accomplish.*** Is your desire to retire at a certain age, or is it more important to maintain a certain standard of living throughout retirement? Once you've made your decisions, there must be a strong commitment to reach those goals.

Self-assessment is important when building your plan. If this step is missed, you may find that you are not able to stick to your long-term plan. Think about this, if you invest in something with considerable volatility when emotionally you can tolerate little risk, you are more likely to abandon your plan. On the other hand, you will be disappointed and fall short of your goal if you were expecting market returns over many years but were invested too conservatively.

If you want to run for a lifetime, as Richard has, he says, "*You must* ***stay within your limits****. This will help keep you healthy and prevent injuries.*" Consistency is important. Richard runs 8 miles each weekday and tries to get 20 miles in on Saturday. He says, "*If you over train or push yourself too hard, you will have to make adjustments that can set you back in your training.*"

Marathon runners, in general, train by running long distances to increase stamina and endurance. They are not running sprints to get ready for the race, nor will they be sprinting during the race. The distance of each run is carefully planned out so that they peak on the day of the marathon.

This same practice is applied to retirement planning. Your plan must be well thought out. What types of investments will best help you reach your goals? My guess is that there will be some investments that are more conservative to provide for your needs as you begin retirement. From there the investment risk may increase based on when the assets will be converted into

Continued on next page

income. While this may seem obvious, many miss this point entirely. Their plan becomes fluid and investments are made based on the heat of the moment; the well thought out plan is abandoned. Market timing becomes the basis of the investment plan.

Dalbar Inc. released a study on March 26, 2013, regarding investor behavior. The study reveals how emotional, short-term decisions have stunted the performance of equity investors. In a nutshell, the study shows that ***over the past 20 years, investors have under performed the market by an average of 3.96 percent per year.*** When compounded over 20 years, the difference becomes a chasm separating you from your dreams.

The gap in returns can be attributed to bad investment habits. The most common error is chasing performance by purchasing the hottest investments. In other words, investors are often their own Achilles heel.

Endurance, both physical and mental, is essential to a marathon runner. Without it an athlete would fall victim to the overwhelming urge to quit. During the 26.2 miles, the runner's courage and determination are tested. When asked how he's able to run such long distances, Richard says, "*Everyone hits a wall at around 20 miles. At that point it's all mental. You don't worry about the past or the future. You stick with your plan. If you get excited and try to push too hard you'll crash.*" In order to endure, the will must remain stronger than the body.

Along the path to retirement there will be many obstacles. The endurance test will be a matter of commitment and will. If your plan is well thought out, market volatility in the short-term should have little impact on the long-term results of the plan.

If you are committed to following your plan and have the will to succeed, you can protect yourself from financial elements that arise. If you understand that taking a large distribution at the wrong time will jeopardize your plan, you will be less likely to make bad loans to others.

After completing the St. George Marathon, Richard looks forward to running the Honolulu Marathon and then the Boston Marathon where he is 10th overall for running the most consecutive marathons. While he is always focused on the race at hand, when that race is completed, he is looking forward and mapping out a plan for his next race. Go Richard!

Getting to retirement is just one step in the long-term retirement plan. Making sure that your assets allow you to continue your lifestyle throughout your retirement years requires additional sophisticated planning. There will be a whole new set of financial elements, and adjustments may be necessary for this part of the race.

Your plan to access your income must address a different set of personal needs. Those that will require continued commitment in an effort to reach the ultimate goal– financial security in retirement.

*The S&P 500 is an index often used to represent the market. One cannot invest directly in an index. Investing involves risk, including the possible loss of principal. Past performance does not guarantee future results. Data provided by Dalbar Inc.

Roger M. Smedley Spotlight

If you've been to our office you've most likely had the pleasure of meeting Roger Smedley, the president and founder of Smedley Financial Services. To say that Roger is happy and easy to talk to is just the tip of his compassionate nature.

Roger built Smedley Financial Services 31 years ago on the concept that he could make a positive financial difference in the lives of others, and he has done just that. In his friendly, effortless way, Roger does whatever he can to make those he comes in contact with feel good. People we meet will randomly share times when Roger has made a difference in their lives.

We could share the many professional accomplishments Roger has had over the years, but Sharla would say that aside from his brilliant mind, Roger's greatest qualities include honesty and integrity, which are central to his values.

This is a milestone year for Roger, he turns 65 in October. Please join us in congratulating him on 65 wonderful years and wishing him many more happy and healthy years to come.

The Federal Reserve Will Soon End its

Easy Money Stimulus

By James R. Derrick Jr., CFA

When Lehman Brothers collapsed in 2008, all lending essential stopped. The U.S. Federal Reserve (Fed) feared that all five investment banks in this country would cease to exist. No one fully understood the financial calamity coming, but we were beginning to feel what the worst recession in 80 years would be like.

The Fed acted to stop the financial infrastructure from imploding. It believed cushioning the blow was necessary to help all Americans. It started the Troubled Asset Relief Program (TARP). It added to that program over the years with Quantitative Easing (QE) one, two, and three.

Recent years may not have felt like easy money to us, but there is likely no organization more profitable in recent years than the Fed.

Federal Reserve versus Apple*
(Profits in Billions of Dollars)

Fiscal Year	Fed	Apple
2009	$53.4	$ 8.2
2010	$81.7	$14.0
2011	$77.4	$25.9
2012	$88.4	$41.7
2013	?	?

Profits are easier with power to print money. Good news: Fed profits go to the U.S. Treasury.

The Fed doesn't literally print money (a responsibility of the U.S. Treasury). It doesn't have to. Money is created electronically by the Fed and infused into the financial system through open market actions. Its effectiveness is questionable. Its impact is global. And at some time soon it may be ending.

What Is the Fed's Impact?

Currently, the Fed is spending roughly $85 billion each month to buy treasury bonds in order to keep long term interest rates at historically low levels. The goal is to encourage risk taking. The Fed wants banks to lend, businesses to hire, and consumers to borrow.

If you have purchased a home, refinanced a loan, or bought a car with debt, then you have benefited from these unprecedented efforts of the Fed.

All this money the Fed is creating seems to be working to a small degree. The U.S. stock market* is on track for its fourth positive year in the last five. If you have invested in stocks or bonds consistently during this time, you have probably benefited from the Fed's actions. Experts have been debating how well the Fed's historic efforts have worked. One theory is that each time the Fed spends, it has less positive impact than the previous effort. This would explain the lackluster growth in the economy.

Why Is the Fed Still Involved?

Simply stated, the benefits still appear to outweigh the risks.

Low interest rates are meant to be enablers for businesses and consumers to increase borrowing. If the debt gets out of hand, then we will be facing similar problems to those that got us into this mess.

If spending and demand increase too much, then inflation could rise to levels considered too high for a developed economy (greater than 4 percent). At that point, the Fed will have to react to try to slow down the economy even if it means job losses.

At this point, official inflation is tame and private debt levels do not appear inflated like in 2007. As long as the risks appear low and unemployment is above 7 percent, the Fed is likely to keep spending.

What Will Happen When the Fed Slows Stimulus?

Interest rates will rise from the unusual levels where they currently are to a more natural rate determined by investors. We experienced a taste of what this will feel like this spring and summer. Rates on the 10 year treasury almost doubled in just a few months. Investors saw an increase in volatility.

Where Is the Silver Lining?

Don't fight the Fed is a common phrase for investors. The Fed is powerful and it is working for what it believes is best for Americans. It plans to cut stimulus only after it determines that the U.S. economy is strong. If rates rise that should bring better yields for savers. SFS

*Research by SFS. Data from public sources. This is not a recommendation to purchase any type of investment. Investing involves risk, including potential loss of principal. The S&P 500 is an index considered to represent the stock market. One cannot invest directly in an index or in the U.S. Federal Reserve. Comparisons of Apple and the Fed are for illustrative purposes only. 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.

Correct Financial Decisions

By Rodney A. Walker, CFP®

Life presents opportunities for everyone to make financial decisions. Some decisions are very basic, while other financial decisions will affect the rest of your life. We all want to make the right choices with our money, but many times we fall short of our own expectations. Below are a few steps that can help bring peace of mind to financial decisions.

1. Emotions

Financial decisions are often driven by emotions. Two very powerful emotions are fear and greed, which at times lead us to abandon solid financial planning and reason.

It is scary when the economy is struggling and seems to be hanging on by life support. This is a perfect time to keep fear at bay. Many investors panic by pulling their investments out of their plan and then miss the recovery opportunities.

On the flip side, other investors jump from investments because they have heard of a great new opportunity returning 10 to 30 percent a year. These are unrealistic numbers and may lead to disaster.

As investors we all like to make money, but greed or fear could cost you your life's savings. Managing one's emotions during the bad economic times as well as the good can save your investments over the long run.

2. Communication

Not all spouses, financial planners, and business partners see eye to eye when it comes to money. Discuss what priorities matter most to you in your life.

There should be a mutual agreement when making financial decisions, allowing those involved an opportunity to voice any concerns. Addressing concerns prior to entering into a financial decision will take some time to work through. Unity needs to be present through ongoing financial relationships.

3. The Here and Now

Many times financial purchases are based on future events, such as annual raises, promotions, or inheritance. Many individuals want the elaborate homes and the best cars, no matter what. When making purchases, you may feel a euphoric excitement. It interferes with logic.

Base your decisions on reality. Don't gamble your financial future on increases that might not materialize. Live in the here and now. Buy what you can afford at the present financial time.

4. Don't Play the Blame Game

Remember, every choice you make will not lead to astonishing outcomes. You may make the best decisions possible and end up with an unfortunate result. Consider the decision and the outcome separately. You strive to make a good decision to help improve successful outcomes, but that doesn't always happen.

Think back in life; has every great choice you have ever made always turned out positively? Can you remember when a poor choice turned out remarkably well? It happens all the time. Stick with the good decisions, and over time success will follow.

Remember to manage emotions in good economic times as well as bad. Always communicate financial concerns to create unity. Live in the financial here and now. Separate outcomes from decisions.

Required Minimum Distributions

If you are over age 70 ½ and you have to take a Required Minimum Distribution, the request should be made by 12/1/2013. If you want to donate directly from your IRA to a charity, that donation also needs to be requested by 12/1/2013. Please call us with questions or to request the required forms. For more information on donating to charity directly from your IRA, please scan this QR code or go to our website.

Medicare Open Enrollment

By Mikal B. Aune, CFP®

Medicare open enrollment is right around the corner. ***Enrollment begins October 15th and runs through December 7th.*** In most cases, this may be the one chance you have to make a change to your existing Medicare coverage for 2014.

To better see if you need to make any changes, let's review the two basic ways that you can get Medicare. You can go the traditional route and purchase all of the individual parts separately or you can purchase a Medicare Advantage Plan.

If you purchase all of the parts individually, you will have three to four parts: hospital care (part A), medical insurance for things like doctor's visits (part B), a prescription drug plan (part D), and an optional Medigap insurance plan. Medigap is also known as a Medicare supplemental plan and it helps to cover most of the gaps or holes left by the other three parts. ***If you don't have a Medigap plan, now is a great time to investigate your options and benefits.***

Medicare Advantage is also known as part C. The way to remember it is that C stands for comprehensive because parts A, B, D, and Medigap can all be rolled into one package. Medicare Advantage operates more like traditional insurance where you are enrolled in a network and you have to stay within that network to get the best rates. Some Advantage plans may have dental or vision benefits.

One reason people like Advantage plans is because they can sometimes cost less. ***Costs may increase from year to year. If your cost went up significantly from last year, this may be a good time to shop around.***

If you have a Medigap plan (Plans A-N), remember that all plans have been standardized. So, plan F from one provider has the same benefits as plan F from another provider. Even though the benefits are the same, the cost may not be.

In the Salt Lake area, the cost for Plan F can range anywhere from about $110 to $230 per month.[1] That is a big difference to get the same benefits. However, cost isn't the only thing you should consider. Some companies are easier to work with and provide better service. So, don't just dump your current provider to save a couple dollars a month. Make sure you have a reputable company that charges a fair price.

One thing to remember is that you are always guaranteed to be accepted for coverage through a Medicare Advantage plan. You can even move back and forth between Medicare Advantage and Medigap. If you start with Medigap and stay on Medigap, you can never be refused coverage based on medical conditions.

However, if you opt for a Medicare Advantage plan, you may not be able to switch to a Medigap plan. At that point, a Medigap provider would have the right to refuse you based on medical reasons. So, you may have to stay with a Medicare Advantage plan.

Your prescription drug plan may be part of a Medicare Advantage plan, or it can be purchased separately through an insurance company. Prescription drug plan benefits can vary considerably just based on the medicine that you take. When looking at drug plans, make sure to choose the plan that works well with your current medications.

In summary, open enrollment is just around the corner. If you already have Medicare, now is your chance to change your coverage for next year. Remember that premiums for Medigap, Medicare Advantage, and drug plans can vary widely, so shop around.

One of the best resources is medicare.gov. There is a lot of educational information as well as ways to compare different companies and levels of coverage. Check out what companies are charging, if only to make sure that you already have good coverage. If all of this has confused you, you're not alone. Feel free to call us for help regarding your Medicare decisions.

1. http://www.medicare.gov/find-a-plan/results/medigapresults/medigap-view-all-policies.aspx

Your SFS Team

Smedley Financial Services, Inc.® is an independent registered investment advisory firm. We work only for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using the investment strategies that work towards each client's needs, risk tolerance, and goals. We are never in a position where we are required to recommend a product we do not believe best serves the needs of our clients. We work with individuals, businesses, and family estates.

Some of the following products and services may be used to implement the plans we create.

Investments
- Managed Accounts
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks
- Bonds
- Non-managed
- Alternative Investments

Annuities
- Fixed
- Variable
- Indexed
- Immediate
- Deferred

Social Security
Strategies & Options

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

Disability Insurance
- Long-Term
- Short-Term

Long-term Care Insurance
- Traditional
- Hybrid

Health Insurance
- Individual
- Medicare Supplement

Roger M. Smedley, CFP®
President & CEO
Founded 1981

Sharla J. Jessop, CFP®
Vice President &
Private Wealth Consultant
Joined 1994

James R. Derrick Jr., CFA
Vice President &
Chief Investment Strategist
Joined 2000

Rodney A. Walker, CFP®
Private Wealth Consultant
Joined 2001

Mikal B. Aune, CFP®
Private Wealth Consultant
Joined 2006

Shane P. Thomas
IT Specialist &
Advisor Relations
Joined 2003

Lynette S. Watts
Client Service Specialist
Joined 2000

Nashaela Lyons
Client Service Specialist
Joined 2013

Smedley Financial Services, Inc.®, a registered investment advisory firm since 1982
420 East South Temple Suite 420 P.O. Box 4133 Salt Lake City, Utah 84110-4133
Phone: (801) 355-8888 (800) 748-4788
Web: www.SmedleyFinancial.com
Email: info@SmedleyFinancial.com