November - December 2013

Money Moxie®

Obamacare Medical Costs On The Rise

FINANCIAL SOLUTIONS FOR YOUR LIFE

SMEDLEY FINANCIAL SERVICES, INC.®

"The Best Investment I Ever Made"

Dear Valued Clients and Friends,


Bill Rancic

In the spring of 2004, Bill Rancic competed with 15 others over 14 weeks to become the first reality TV star to be hired on national television. He was the first apprentice to hear the words "You're hired!" from Donald Trump.

Bill Rancic was then hired for one year at a job paying $250,000. Rather than overseeing and managing a new Trump National Golf Course and Resort in Los Angeles, California, Rancic elected to take charge of the construction of the Trump Tower Chicago. The Tower was erected downtown on the Chicago River on the site of the demolished Chicago Sun-Times building in Chicago, Illinois.

I met Bill Rancic when he came to Orem, Utah, and spoke at a business conference and expo. It was there that I asked Bill this question: "What was the best investment you ever made?"

Without any hesitation, Bill answered to the point: "The best investment I ever made was in myself." (The next day the same question was the lead paragraph in an article published in the Deseret News by Jeremy Twitchell.)

In today's world, education is key. Your education (and the income that follows it) opens doors, gives you financial security, and increases your opportunities. Your financial education is also important because it can help you hold on to those dollars going through your hands. "How?" you say. Because you have a purpose and an account for each of your goals. The best investment you will ever make will be in your education, as well as your financial education, likewise in your children's and grandchildren's education.

Bullish Best Wishes,

Roger

Roger M. Smedley, CFP®
President

Social Security Increase

Social Security recipients will see a modest increase in benefits for 2014.

According to the Social Security Administration nearly 63 million Americans will see their benefits increase by 1.5 percent, the value of the cost-of-living adjustment (COLA).

The COLA, calculated based on inflation data from July through September of this year, will be below 2 percent for the 4th time in the last 5 years and only the 7th time in the past 40 years. Since 1975, when COLA increases were first implemented, the average increase has been around 4 percent.

Congressional budget negotiators are considering proposals that would peg Social Security benefits to a chained CPI. This result would mean lower annual increases than under current law.

Obamacare

Medical Costs on the Rise

By Mikal B. Aune, CFP®

There is no shortage of controversy surrounding Obamacare. Apparently there is also much confusion around its name. Jimmy Kimmel, the late night comedian, proved that people don't have their facts straight. He had a camera crew ask people on Hollywood Boulevard which they liked better: Obamacare or the Affordable Care Act. One woman explained that Obamacare has "a lot of holes in it, and I think it needs to be revamped." The same woman felt that "the Affordable Care Act is better." She wasn't the only one. Most people had similar opinions. Just to clear up any misconception, they are one in the same.

One thing that is certain is many Americans will have their medical insurance costs increase this next year. This is largely due to medical carriers revamping their plans to be in compliance with the new law.

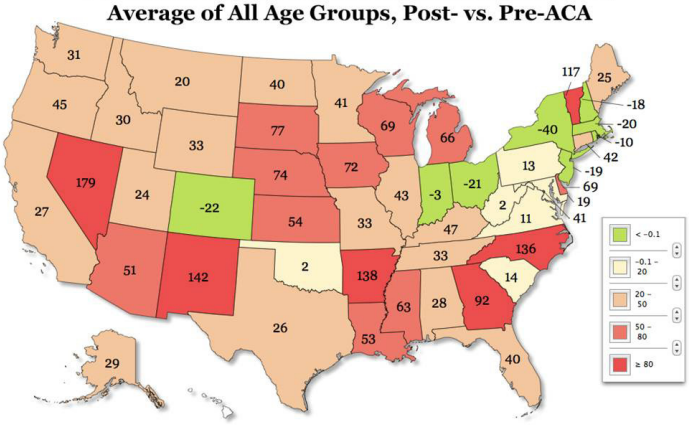
Forbes reports that 41 states will experience premium hikes. In Utah, individual-market premiums are expected to increase by 24%.[1]

In one case, a single mother with 5 children had the cost of insurance increase from $827 per month to $1045. That is a 26% increase for one year.[2]

Seniors may also be indirectly impacted by the new law, which imposes spending cuts by reducing payments to hospitals and doctors, while increasing incentives for more efficient care. Supporters say this will strengthen the Medicare program in the long-term. Opponents say that seniors in Medicare will find it harder to access their benefits because more doctors are refusing to treat Medicare patients.[3]

The silver lining to all of this is that 30 million Americans will now have access to health care, and many of those will be eligible for subsidies.

Percent Change in Individual-Market Premiums, Average of All Age Groups, Post- vs. Pre-ACA



To see if you may be eligible for a subsidy, go to the calculator at http://kff.org/interactive/subsidy-calculator/.

If you are eligible for a subsidy, you will need to apply for insurance through an exchange. When an exchange determines that a person is eligible for a tax credit based on expected income, subsidies will be paid directly to insurers to lower the cost of premiums.

Consumers purchasing insurance through an exchange "can pick from four levels of coverage, from bronze to platinum, with the greatest differences appearing in cost sharing features such as annual deductibles and copayments. Bronze covers 60 percent of expected costs; silver covers 70 percent; gold covers 80 percent; and platinum covers 90 percent."[4]

After subtracting subsidies, a 27-year old in Salt Lake City earning $25,000 per year would expect to pay $95 a month if he chooses the bronze plan. A family of four in Salt Lake City with an income of $50,000 per year would expect to pay $122 per month for the bronze plan.[5]

The bottom line is that health care subsidies will be beneficial for low-wage and middle-income families. If you make too much to qualify for subsidies or if you are covered by an employer plan, most likely your premiums are going to increase. As the Supreme Court said, this increase is a "tax." Make sure to plan those increased "tax" expenses in your monthly budget.

As Benjamin Franklin said, "In this world nothing can be said to be certain, except death and taxes."

1. http://www.forbes.com/sites/theapothecary/2013/11/04/49-state-analysis-obamacare-to-increase-individual-market-premiums-by-avg-of-41-subsidies-flow-to-elderly/.
2. Actual client of Smedley Financial Services, Inc®.
3. *Wall Street Journal*, "What Does New Health Law Mean for Me?" September 29, 2013.
4. http://www.sltrib.com/sltrib/news/56915792-78/plan-tax-credits-insurance.html.csp.
5. http://www.sltrib.com/sltrib/news/56915792-78/plan-tax-credits-insurance.html.csp.

Giving Up the Keys

By Rodney A. Walker, CFP®

There is no perfect way to approach the difficult conversation on taking away the car keys from loved ones, but here are a few suggestions that may help.

First, have a plan in place for how they will still be able to be mobile. Talk to them, find out where they need to go, and help arrange transportation for them.

Second, educate them as they enter a new chapter of life and teach them that it is ok to ask for assistance and list everyone they can call upon for support.

Third, be compassionate. They are losing some independence. Reiterate how much you love and care for them and remind them that you are here to help.

Fourth, talk to loved ones early. Ask them what they propose to do when it comes time to give up the keys.

This choice will be very hard and difficult to come to terms with, so above all show continued love for them as they close a life chapter of never driving again.

Nashaela Lyons

We would like to welcome Nashaela Lyons to our team at Smedley Financial. She joined us back in August and has hit the ground running. She is such a great new asset to our team! We hope you all have the pleasure of talking with her and getting to know her better. You will learn that she is full of energy and gets things done.

Nashaela was born and raised in Utah, graduated from Weber State University, and has worked in the finance industry for over 8 years prior to coming to work with us.

When she is not enjoying work, Nashaela loves doing crafts, baking, exploring the great outdoors, and spending time with family and friends.

Shutdown Showdown Can't Sink Stocks

By James R. Derrick Jr., CFA

In October, the U.S. Government operated under a partial shutdown for 16 days. During that time only those federal employees determined to be essential were working. Up to 850,000 federal workers were sent home to wait for an agreement between Democrats and Republicans. National parks were closed. Economic reports were delayed. Consumers were worried. Investors were . . . optimistic?

From October 1st – October 16th, the time period when the federal government was shutdown, the S&P 500 gained 2.38 percent. This was a shockingly positive outcome in what might have been viewed as a dire financial situation. Let's put the number in perspective. If it were somehow possible for the stock market to continue at that 2.38 percent rate for an entire year, the annual return would be 63 percent. We all know that would be absolutely crazy and it raises some questions.

2.38%

S&P 500 gain during the 16 days the federal government was shutdown

Why is it important to look at the impact now that the shutdown is over? The current law, passed on October 16th, only keeps the government running until January 15, 2014. In other words, another shutdown could be right around the corner. (The debt limit is expected to be reached on February 7, 2014.)

Why were investors feeling so good during the shutdown? The main reason is likely to be that Wall Street always assumed that the shutdown would be temporary. Eventually politicians would come to an agreement. According to the *Washington Post* there were similar halts in government services in 1995, 1990, 1987, 1986, 1984, 1983, 1982, and 1981.

Did the shutdown save the government money? This one is simple: no. In fact, it cost extra. Furloughed workers were given pay for every day they did not work. That added up to around $2 billion. For example, national park employees were paid even though there was no revenue from visitors. Zions National Park in Utah missed out on approximately 72,000 visitors during the first ten days of closure.

Local governments also took a hit, Utah in particular. The state agreed to send $1.67 million to the federal government to reopen national parks inside the state. It was worth it since the local communities estimated revenue of over $100 million in areas around these parks. As of the time this article was written, the federal government had not paid back the state.

How did consumers react to the halt? Consumer confidence dropped significantly during the shutdown. However, they did not put their money where their mouth was. According to Thomson Reuters, retail sales increased by 3.7 percent in October (compared to October 2012). That would normally be considered good. In light of the shutdown, 3.7 percent seems strong.

Did the shutdown hurt the economy? The overall cost of the shutdown to the U.S. economy has been estimated at $24 billion (source: Standard & Poor's). How bad is that? It is a little more than one tenth of one percent of GDP—just enough to show up in the numbers when quarterly annualized numbers get reported. However, the long term impact on economic opportunity seems muted. The energy renaissance in the United States continues. Consumers kept spending in October on homes, cars, iPhones, and whatever else they needed. They are likely to do the same in November and on into the future. All these will help job creation to continue just as it has all year.

Will we have another shutdown? The most likely answer is yes. Hopefully it does not happen in 2014. The political fallout alone may be incentive enough to avoid a February shutdown. Recent history tells us that the market will expect a deal and consumers will keep spending no matter what. Therefore, it is safe to conclude that while the possibility of another shutdown is scary, a short shutdown may not be as negative in the long term to investors. Of course, there is no guarantee. SFS

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Division of Labor

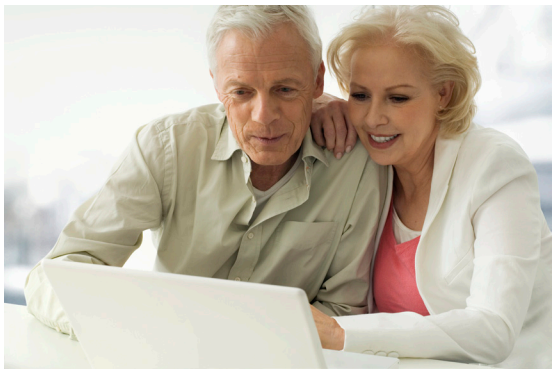
By Sharla J. Jessop, CFP®

Over the years the financial roles of men and women have transformed. In the 1700s, men handled financial matters and women had little insight on finances. Today men and women generally view family finances as a joint effort.

While it makes sense to share responsibilities in a family, it is critical that each person have defined roles. Otherwise, some things will be done twice while others will never get done. The consequences of missing payments for bills can be costly over time. This is why we encourage defined roles.

One spouse may handle the household budget and day-to-day spending while the other may focus on long-term, big-picture finances such as retirement planning and investing. This divide-and-conquer approach works well.

No matter how it is done, it is important that participants have a clear understanding of all financial aspects that impact them and their families. Here are some guides to help in your joint planning:



The big picture
Together, create an inventory of all financial assets, liquid and non-liquid. This is valuable in two ways. First, your spouse will have a clear understanding of the financial assets that determine your net worth. Second, there is a list to rely on should something happen and the designated spouse is no longer able to handle that portion of the finances.

The list should include all relevant information such as: the type of asset, who owns it, where it is held, who the beneficiary is, and who can be contacted for more information. Is there a login and password?

Examples of Financial Assets

- Cash in Home/Safety Deposit Box
- Emergency Fund
- Bank Accounts
- Retirement Accounts: 401(k), IRA, etc
- Non-Retirement Accounts: Individual, Joint, Trusts, etc
- Other Investment Accounts
- Insurance Policies
- Rental Properties
- House
- Vacation Homes and Time-shares
- Cars

Creating a list of other assets is also important. These assets are not liquid but are part of your net worth and hold a great value.

Day-to-day finances
Managing the monthly finances is not an easy task. It requires more time and often juggling of financial resources. Sometimes the spouse who handles the big picture is not aware of the challenges faced each month. Communicating on a regular basis helps keep each spouse informed and allows them to participate in resolving short-term financial issues.

Together, create a written spending plan. This helps both spouses see how the monthly cash flow is prioritized. Working together in this exercise will help you focus on your joint short-term and long-term goals. The spending plan should address:

- All sources of monthly income
- Saving and investment contributions
- Non-discretionary expenses: mortgage, utilities, food, car, gas, and other necessities
- Discretionary expenses: gifts, cell phones, personal-care items, etc.

(This list is general and not intended to be all- inclusive.)

The division of labor is a valuable arrangement that helps couples balance time and resources. Though divided in responsibility, it is important to stay united and informed on the objectives. An uninformed spouse may face a great deal of frustration at a time when he or she may not be emotionally ready. For more information on creating an asset list and spending plan, contact one of the Smedley Financial wealth managers at (801) 355-8888.

How to Get Rich

By Nashaela Lyons

Many people want financial freedom and security. Few people know how to get there. We're not going to lie to you — getting rich is difficult —— but with knowledge, skills, and desire it's possible. Here are three easy steps you can start doing today!

1. Control Your Spending

The other day I was talking to a friend who said, "My money always runs out before the month is over. I need to make more money." I started by asking what a typical day is like. She often stopped for a bagel or a doughnut on her way to work. She ate out for lunch and bought a candy bar or drink in the afternoon. Every few days she found a "great deal" online. I'm sure we've all had conversations like this before with someone. Maybe it even describes us.

Instead of focusing on whether you earn enough money, focus on your spending. The question is simple: Where does your money go? Do you get a soda every day? How often do you go out for lunch? How much money do you spend on muffins, drinks, candy bars, bottled water, doughnuts, magazines, newspapers, and yes lattes?

The "Latte Factor" is a label for all that extra money we spend on non-essential items. Your latte factor can be calculated by looking at how much you spend eating out, getting pedicures or manicures, buying clothes, seeing movies, shopping online, and even playing golf.

Calculating your latte factor is simple: for example, if you spend $5 per day on a latte (or substitute whatever it is for you), multiplied by seven days a week, it adds up to $35. Multiply that weekly, which adds up to $150 per month (based on 30 days). That adds up to $1,825 per year just on lattes.

Now, let's say you invest that same $5 per day at an average 10% return (a high return, but it sure proves the point). In 40 years you could have $948,611. Would you rather have the lattes or the money?

Part of taking control of your money is learning how to exercise some discipline in your spending habits. Start today!

2. Everyone Can Save

If you often max out your credit card and have little left over to save, you will find it impossible to become rich. You need to create a budget. If you don't like the word budget, use "savings plan."

Instead of viewing the plan as restrictive, focus on the things it allows you to buy. As a general rule, you should plan to set aside enough money to cover at least three months of your expenses in an emergency.

Which will result in more money at retirement?

Option A: Adam saves $2,000 each year from age 22 to 31, saving a total of $20,000. He continues to invest, but never adds more to his account.

Option B: Bob saves $2,000 each year from age 32 to 68, saving a total of $74,000. Bob receives the same rate of return as Adam.

At 10% annual percentage yield, Bob will have $726,000 at retirement. However Adam will have saved $1,192,000. The earlier you start saving for your future the better! Start today!

3. Pay Yourself First

The first thing you should do when you get your paycheck is pay yourself. Put a specified contribution from each paycheck into your savings account (an account that you don't touch). The best way to do this is by making it automatic. If you don't see it, you won't miss it!

An automatic savings plan has many advantages besides convenience. It makes it easier to stick to a personal budget, since it is harder to overspend and dip into your savings. It also helps you continue contributing savings to your investment portfolio over a long period of time. You work hard for your money, pay yourself first and make your money work for you!

If you want to be rich, start doing these three things today: control your spending, start saving, and pay yourself first!

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

Life Insurance
- 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

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