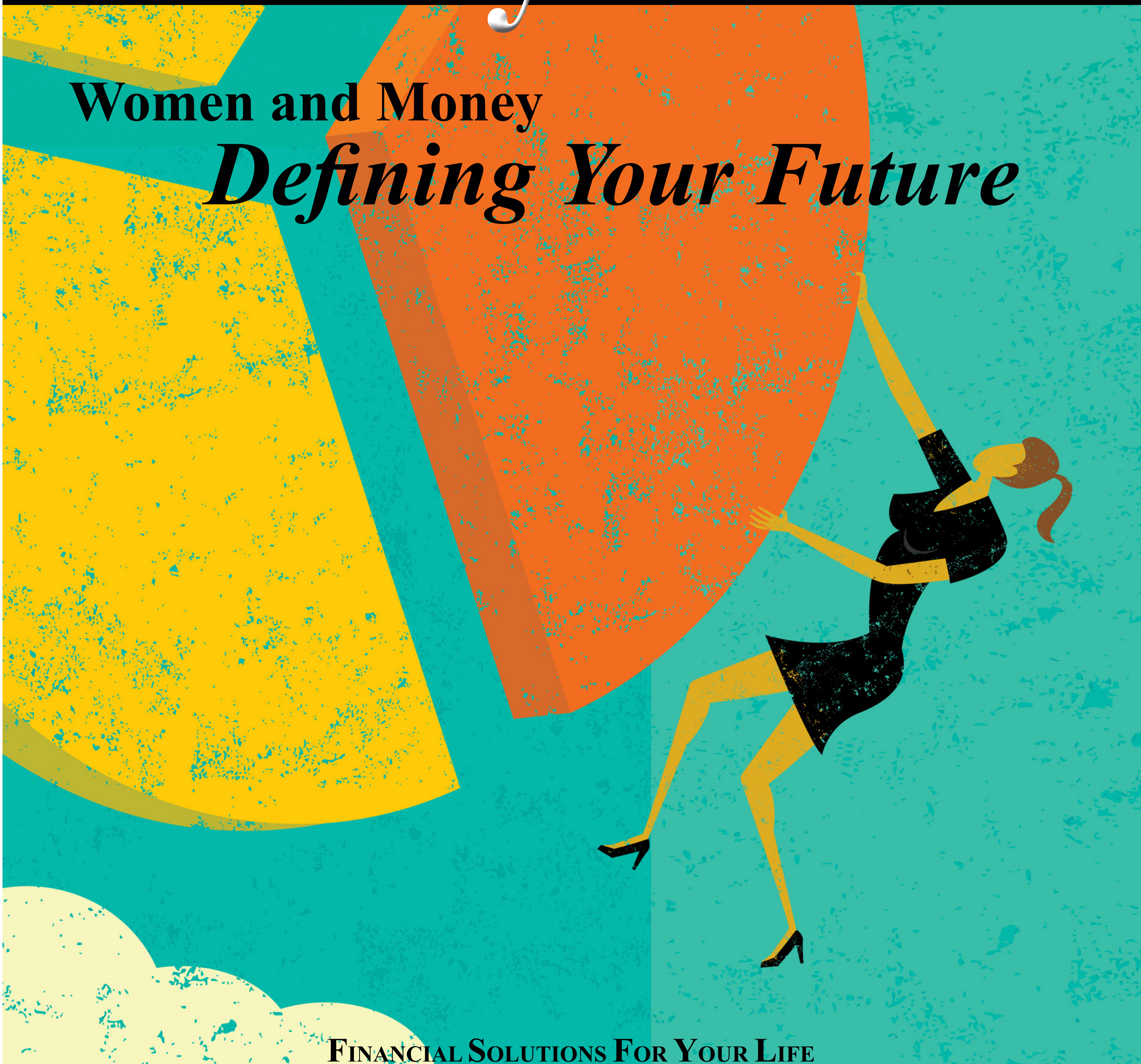
January - February 2014

Money Moxie®

Women and Money
Defining Your Future



FINANCIAL SOLUTIONS FOR YOUR LIFE

Since 1982

SMEDLEY FINANCIAL SERVICES, INC.®

Our Interview with Fortune, Forbes, and Money Magazines

Dear Valued Clients and Friends,

Today Sharla Jessop, James Derrick, and I completed an interview that will appear concurrently in *Fortune*, *Forbes*, and *Money* magazines in June 2014. We shared with their readers what you—our clients and friends—already know.

Everyone likes to make money. No one likes to lose money. Most of us are adverse to risk. Two well-known celebrities help to make this point in different ways.

Jimmy Connors, a former World's No. 1 tennis player, put it this way: "I hate to lose more than I love to win." And Jay Leno, a longtime "Tonight Show" host and comedian, said "The pain of losing $100 is greater than the joy of making $1,000."

For most of us, managing our emotions is the most difficult part of investing money. Our emotions swing from euphoria and greed…to pain and fear…back to euphoria and greed.

At Smedley Financial we strive to help people take less of the wrong types of risk and more of the right types of risk. For most people—to reach their financial goals—some financial risk must be taken. Unfortunately, being too conservative may have a similar outcome as being too aggressive: That is realizing our worst fears, running out of money before we take our last breaths!

Bullish Best Wishes,

Roger

Roger M. Smedley, CFP®
President

The Tax Man Cometh!

It's that time of year again. We are all gathering the important tax documents in order to prepare our tax filings. While you may be anxious to get your taxes filed early, please hold off until you are sure you have received all of your tax documents. Investment companies are not required to mail 1099 forms until February 18th and in some exceptional cases as late as March 17th.

If you have questions regarding which forms to expect, feel free to call us at (801) 355-8888 or (800) 748-4788. We will gladly review your accounts to make sure you have everything you or your tax professional will need to prepare your taxes.

You can find the latest key information by visiting our website and clicking on the link "Take a Look at Key Financial Numbers for 2014" or scanning the QR code.

Women and Investing

Defining Your Future

By Sharla J. Jessop, CFP®

Understanding money – how to make it work for you – is important to everyone. But, it is of utmost importance to women. Why women you ask? Women face some staggering statistics when it comes to money.

Women live longer than men.
This well-known fact has a significant impact on women and their finances. Of the people living to age 90 today, 72 percent are women.* This requires them to have more money than men if they want to maintain the same lifestyle throughout their retirement years.

Women earn less money.
Women earn less for many reasons. They often put their work lives on hold to care for others; raising a family or helping aging parents. They seek careers that offer more flexibility, often for lower salaries. Unfortunately, sometimes women make less because they are women.

As a result women save less money for retirement. This is compounded by the realization that only 33 percent of workers today have a company pension plan.* As a whole, the burden to pay for our golden years has been shifted to us.

Women sidestep long-term finances.
Women often handle the household budget and leave the long-term financial decisions to a spouse. At some point in time, whether because they are single, widowed, divorced, or their spouse is disabled, women will be responsible for making all of the financial decisions. For many women this is like being thrown into the fire. They must take on a new role in handling the finances at a time when they are likely facing emotional strains.

Be proactive, not reactive.
If you get involved now you'll have little to fear if you are forced to take charge of your family's finances in the future. To make it simple, compare your financial life to taking a journey across the country. Here are some steps to consider for your financial journey.

Step One: Where are you going to go?
No one shows up at the airport without a ticket. You start with a vacation plan. Knowing where you want to end up is the first step of the process. This requires some real thought on your part.

Ask yourself, "What is important about money to me?" Determine what you want to accomplish financially throughout your life and write it down. These are your financial goals.

Step Two: What will you need to take?
When packing for a trip, most people make a list so nothing is forgotten. Breaking your goals into small steps will help you find ways to accomplish them.

If your goal is to get your children through college, determine what it will take. When you know the answer, decide how much of your monthly cash flow can be allocated to reaching this goal. The same can be said of retirement. While you have longer to plan, the cost will be much greater and the planning more crucial. These decisions are your financial plan.

Step Three: How much is it going to cost?
Leaving for a vacation not knowing how much it will cost or if you'll have enough money once you reach your destination seems crazy. But it's surprising how many

Continued on next page

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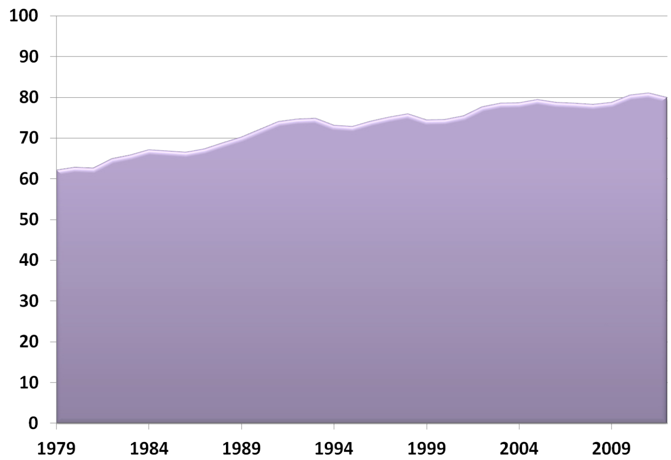
people look forward to retiring without knowing how much money they will need to replace their monthly income or what the real costs may be.

Running out of money during retirement is a legitimate fear for many. Having an income plan prior to retiring can mean the difference between living the lifestyle you want and just getting by.

Women's Earnings as a Percentage of Men's
1979 - 2012



Source: U.S. Bureau of Labor Statistics

If you're feeling a little overwhelmed thinking about making a plan, you're not alone. Both women and men find putting together a reliable financial plan to be intimidating. Not because they are not smart enough to make it happen, but rather because of the depth of knowledge required to address all of the sophisticated intricacies of the plan.

Engage an experienced professional. Rely on our years of experience and knowledge to help you design a plan specific to your unique situation and goals. We can help you define your goals and increase the likelihood of reaching them. It's never too late to get started.

*Source: U.S. Department of Commerce and Employee Benefit Research Institute

I'm 45 With $250,000. Am I Set?

By Mikal B. Aune, CFP®

Congratulations on starting your savings early. $250,000 is a tidy sum, especially at the age of 45. Starting early is one of the critical factors in retirement saving.

Is it enough? It may be, but you probably have more work to do. It all depends on the lifestyle you want to have. If you don't add anything else, you may not have enough to make retirement as comfortable as you would like. In 20 years, $250,000 could grow to be $1,231,700 (with an 8 percent annual rate of return).

What if you invest in a period like the 2000s and you are only able to average a 6 percent return? That would leave you with $827,551. That is still a substantial savings, but is it enough?

Once you account for inflation at 3%, $827,551 would only be equivalent to living on $22,000 per year right now. Even at the original 8 percent rate of return, your savings would only generate the equivalent of $33,000 per year. The question is, is that enough for you to feel comfortable?

This may seem to buck the rule of thumb that you need $1 million to make retirement comfortable. That rule of thumb doesn't take into account your personal needs and income sources. If you have $1 million and that is your only income source, then retirement might be a little lean. However, if you have a pension, Social Security, and/or rental income, your retirement could be much more comfortable. You may not even need $1 million.

Let's examine the impact of saving more. Going back to the original scenario, if you are 45 with investments of $250,000 AND you continue to add $500 per month to your savings until you are age 65, you could boost your nest egg to $1,526,211. That could generate income equivalent to almost $42,000 per year right now.

We recommend saving 10-15 percent of your gross income for retirement. If you save more, you will never regret it. There is power in investing as much as you can for as long as possible.

Calculation assumptions: Current age 45, Retirement Age 65, Years until retirement 20, Ending retirement age 95, Years in retirement 30, Interest rate during retirement 6%.

Powerful Performance
Despite Potential Problems

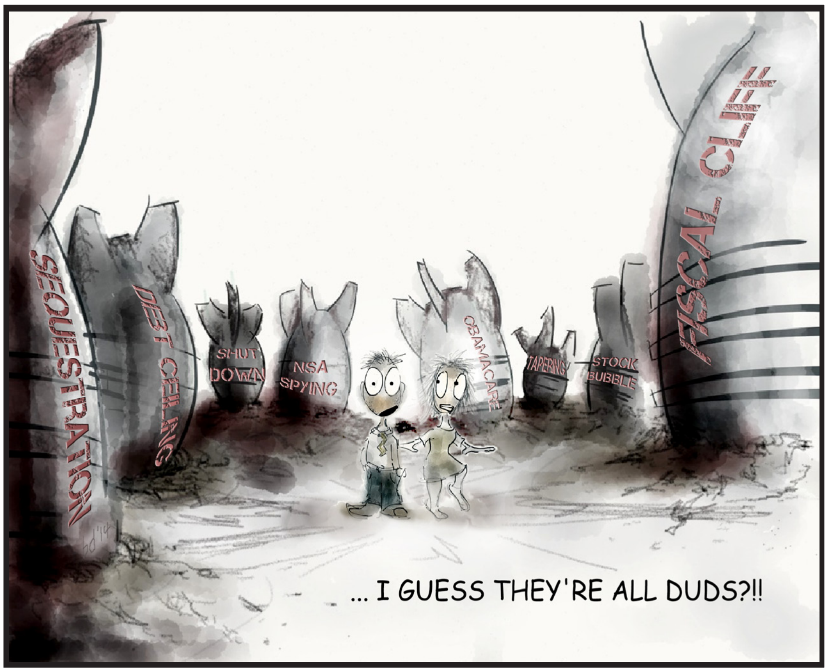
By James R. Derrick Jr., CFA

Major Markets Update					
Index	2009	2010	2011	2012	2013
U.S. Bond	5.93%	6.54%	7.84%	4.21%	- 2.02%
Dow	18.82%	11.02%	5.53%	7.26%	26.50%
S&P 500	23.45%	12.78%	0.00%	13.41%	29.60%

Economic growth in the United States was slow last year as the federal government dropped one potential bomb after another. However, none of these exploded and U.S. stocks had their best year since 1997. With all this positive momentum would it be too much to ask for an encore?

In January we escaped a close call with the fiscal cliff. Then came sequestration. By May, Ben Bernanke had dropped another bomb: tapering. Before the end of 2013 we endured a government shutdown.

Interest rates shot up last year with fear the Federal Reserve (Fed) would slow its bond-buying program. In 2014, this action is slated to become a reality.



Each month the Fed plans to slow its purchases by $10 billion. As it does, let's keep in mind that any purchase is extra stimulus to the economy. The Fed is still flooding the economy with money. Some may compare this to pushing on a string, but the last few years have helped validate the phrase "Don't fight the Fed!"

As the Fed becomes less involved as a driver of economic growth we may see more ups and downs in the stock market. In all likelihood, the coming year will be more volatile than last year.

When the next drop comes, let's keep in mind that it is perfectly normal even in a healthy market to have some hiccups. A fall of 10 percent in stock markets occurs on average about once a year. These drops can even be healthy for long-term growth.

According to the *Wall Street Journal*, strategists believed the economy would slowly improve and the market would rise 8.2 percent in 2013. It rose 30.
This year, the economy is expected to grow faster, but predictions for stocks are more moderate.

The driving forces of growth should be similar. Domestic energy production is still rising. The housing recovery is underway. Employment is improving. Wages are expected to rise and changes in consumer spending are trending in a positive direction.

Improving economic growth does not necessarily mean more stellar stock returns. Sometimes the two can be out of sync as investors look to the future for something to get excited about. Nevertheless, stocks and the economy are closely related and the economy is still heading in the right direction for now. 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 Barclays U.S. Aggregate Bond Index, Dow, and S&P 500 are indexes 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.

When
Do You Want To Retire?

By Rodney A. Walker, CFP®

When asking investors "When would you like to retire?" the answer that often follows is "tomorrow!" There is a grain of truth in every joke. This is especially true when it comes to retirement. The truth is that investors want to retire early but feel they don't have the resources or the discipline to do so.

Everyone should plan on an early retirement, but that does not mean they should retire early. The age at which we retire is often not up to us. Our health is a major factor. As a result, most Americans do not retire at their planned age. Some work longer. Most retire earlier. Planning on retiring early can help prepare for an unknown future.

If an investor at age 35 is just beginning to save and wants to retire at 65, then he or she should save approximately 15 to 19 percent a year, according to Wade Pfau, a professor at American College of Financial Services. If you move your retirement age up five years to age 60, then you would need to put away between 23 percent and 29 percent of your income.

Early retirees tend to have a certain lifestyle which allows them to build powerful portfolios and retire early. Below are two characteristics that early retirees follow to help them build their portfolio to assist an early retirement.

Retirement Numbers[1]

61

Average age of retirement in the United States

69%

of Americans plan to retire before age 65

57%

of retirees did not retire at their target age

Live on Less

How often do you hear the phrase "Live on less than you make?" It is true, lifestyle before and during retirement has the greatest impact on our financial well-being. In fact, lifestyle is one of the few retirement factors we can control. Personal health is unknown. Investments will have gains and losses, medical plans change, and government benefits get altered.

The reality is, how you live while working creates the path of how you will live during retirement. Investors who have positioned themselves to retire early spend much less than they make. These individuals are likely to continue their good habits throughout retirement as well.

Get out of Debt

Pay off your debts before retirement and you will have more flexibility to save for an early retirement.

Some may think that it's not beneficial to pay off a home early because the interest rate is so low and the interest is typically deducted for income tax purposes. However, in most cases, if you don't get your house paid off, you will not be able to contribute heavily to retirement savings.

Early Retirement Help

One obstacle for individuals wanting to retire early has been that of health insurance. Many individuals continue to work because they need health benefits. Now with the healthcare reform, everyone will have access to some type of insurance. Your age will cause an increase in premium, but as it now stands you cannot be charged more than three times what a 20 year old is charged. This will bridge a gap for many individuals (approximately 800,000[2]) who want to retire early, but continue to work just for the healthcare benefits.

Early retirement takes discipline and dedication for many years prior to retirement as well as after retirement. Embrace a lifestyle below your full income, get out of debt, and save as much as you can for the future. You will not regret it. You will have greater control over your own future and more flexibility in how you live it. Take time to start now.

1. "New Rules of Early Retirement," *Money Magazine,* Nov 2013
2. Congressional Budget Office

Living In
The Great Rotation

By Mikal B. Aune, CFP®

Picture a giant wheel moving ever so slowly up a hill. When you look at it from the side, you can see two dots on the edge that are directly opposite each other. As the wheel moves, those dots rotate. As one dot is on top the other is on the bottom. As the wheel continues to rotate, the dot that was on the bottom will eventually get back to the top and vice versa. This mental illustration that you have drawn demonstrates the relationship between stocks and bonds over time.

When the stock market[1] dropped over 55 percent, from October 2007 to March of 2009, the giant wheel ended up with stocks on the bottom and bonds on top. This happened as people and institutions pulled some of their money out of stocks and put it into the relative safety of bonds.

Fast forward almost five years and now that trend is reversing. 2013 saw some of the largest outflows from bonds with the money going into stocks.[2] As CNBC writer Dhara Ranasinghe puts it, "A 'Great Rotation' out of bonds into stocks is only just underway and is setting up to be one of the major investment themes of 2014."[3]

"A 'Great Rotation' out of bonds into stocks is only just underway and is setting up to be one of the major investment themes of 2014."[3]

It is important to note that this great rotation takes time. It doesn't just happen overnight. It has been almost five years since the stock market bottom of 2009 and it may take more time before stocks hit the top.

One of the drivers of the great rotation is inflation. Inflation is bad for bonds as it makes them worth less. Inflation could ensure that bonds stay on the bottom of the giant wheel for a while.

Leadership in performance between stocks and bonds rotates like a rolling wheel.

There are long-term signs that are positive for the economy and stocks. The housing market is coming back, U.S. oil and gas production is booming, and a manufacturing renaissance is taking place.[4] This could lead to good long-term growth for stocks.

Along the way there will always be bumps in the road which result in short-lived reversals of the great rotation. However, the giant wheel keeps moving slowly. For now, that means that stocks are king of the mountain. Of course there are no guarantees. SFS

1. The stock market defined as the S&P 500
2. Roben Farzad, "In Search of the Great Rotation," *Bloomberg Business Week*, Aug 23,2013: http://www.businessweek.com/articles/2013-08-23/in-search-of-the-great-rotation
3. Dhara Ranasinghe, "And We're Off: the Great Rotation Gets Into Gear," CNBC, Nov 20, 2013: http://www.cnbc.com/id/101212837
4. Fidelity, Investment Themes Quarterly Update, July 2013

Your SFS Team

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Wealth Accumulation
- Managed Accounts
- Indexed Investing
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks and Bonds
- Alternative Investments

Protect Family
- 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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