

May – June 2018

Money Moxie®

TAILORED FINANCIAL STRATEGIES FOR YOUR LIFE

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STRATEGY

***THAT WILL MAKE YOUR
ENTIRE RETIREMENT BETTER***

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FINANCIAL
SERVICES, INC.®

Since
1982

Good Planning Could Save Your Retirement

Dear Friends,

As individuals, many of our philosophies and habits about money and finances originate from our personal experiences and from the experiences we have observed from those around us—parents, family, friends.

Good or bad, we engage in behaviors that we believe will bring us financial success and happiness. If we see someone suffer from a financial shock, like the loss of a job, we think: *“I am not going to live paycheck to paycheck. I am going to build an emergency savings account so that I will have money to fall back on.”*

So, what happens when people plan based on preconceived ideas developed from bad information? This poor planning will kill your retirement dreams. And unfortunately, it’s more common than you think.

I recently came across a report compiled by the Society of Actuaries—*2017 Risks and Process of Retirement Survey*. The focus was retirement concerns and preparation and overall financial wellness among pre-retirees and retirees. It covered everything from debt in retirement, to housing concerns, to the impact of financial shocks, to working longer. It also covered the sense of well-being and preparedness among pre-retirees and retirees that use an advisor and have implemented a plan.

After reading the report, I was surprised at the percentage of retirees that felt unprepared for the financial aspects of retirement and their income needs. I included some of the highlights in the graphics on the next page. My conclusion? Many retirees have too much debt, poor spending habits, and would benefit from the help of a financial advisor.

We are so grateful for the opportunity to help you, our clients, plan for a successful financial future. We thoroughly enjoy creating each plan, focusing on the known and preparing for the unknown events that may impact you. Thank you for allowing us to help you on your financial journey.

Best Wishes,



Sharla J. Jessop, CFP®
President

Could You Unknowingly Disinherit Your Kids?

The answer is yes! Most people spend countless hours determining how their money will be divided among their family and loved ones. They even go so far as to have it formalized in their will or trust.

Unfortunately, when it comes to naming the beneficiaries on 401(k) and other retirement accounts, most people spend only minutes making this important decision. Furthermore, many have not reviewed the decisions in 10, 20, or even 30 years. A lot can change during that period of time (additional children, death, divorce).

Retirement accounts are distributed based on who is listed on a company’s signed-beneficiary form. Even if you have elected to have your assets divided a specific way in your will or trust, if your 401(k) does not match it will not happen.

Reviewing your beneficiary designations can prevent an undesirable outcome at your death. If you have questions or need help in reviewing your beneficiary designations give our office a call (800) 748-4788.

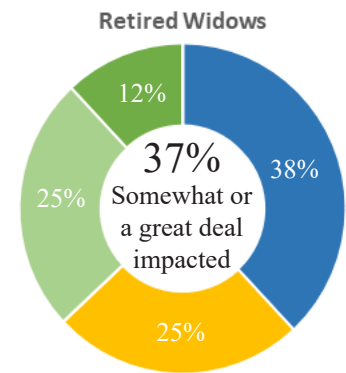
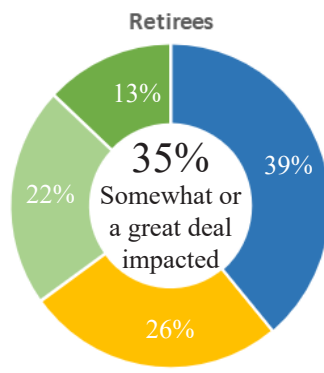
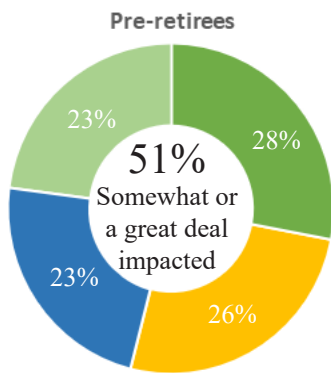
Retire without Debt

By Sharla J. Jessop, CFP®

Only 38% of American retirees are debt free. The type of debt may surprise you—mortgage, credit card, auto loan, and even student loan. The impact of debt on a fixed income can be distressing as it reduces discretionary spending and, in some cases, forces retirees to cut their standard of living.

The Negative Impact of Debt:

Among those with debt, a high percentage of pre-retirees, retirees, and retired widows say debt negatively impacts their lifestyle.



■ A great deal ■ Somewhat ■ A little ■ Not at all

Are retirees prepared for financial shocks?

Retirees feel prepared for:	Have An Advisor	No Advisor
Car repairs or replacement	86%	58%
Significant out-of-pocket medical, dental, or prescription expenses	84%	50%
Major home repairs or upgrades	75%	44%
A 25% or greater loss in the total value of savings due to poor decisions or a market decline	57%	22%

Working Longer

Many plan to offset debt by working longer, but most retire earlier than expected.



4 in 16 pre-retirees expect to work beyond age 67.




In reality, only 1 in 16 actually retire after age 67.

Just For Women



Let It Grow

Summary by Lynette Watts

 Sharla J. Jessop, President of SFS, taught us at the Just for Women conference how to “Let it Grow” from a wealth perspective.



She reminded us that “The best way to attain money and wealth in life is no secret ... spend less than you make!” She went on to teach us the best way to have your wealth grow.


When investing, manage your risk and don’t freak out!

Make sure you are emotionally comfortable with your investment plan.

Protect what you have with a “financial bodyguard.” This is someone to watch over your wealth when you can’t. Finally, make sure your beneficiaries are up to date and educate yourself about cyber threats.

Container Gardening— Vegetables and Herbs

Summary by Nashaela Lyons

 We had the wonderful opportunity to have Becky Pulver return. She works with J&J Garden Center in their education area. This time she taught us how to have success with container gardening. She gave us these tips:

Choose the right container. It matters.

- Clay is heavy and will dry your soil.
- Plastic is good, but may break down in heat.
- Metal is good, but can rust.
- It should be big enough for the plant to grow. (The roots grow as big as the plant.)
- Have holes for drainage. This is crucial! Most plants do not like “wet feet.”
- Use coconut fiber to line your container, it will provide nutrients and absorb moisture.

Choose good soil and food.

- Choose a good “moisture control” potting soil, or soil that contains peat moss and vermiculites. This helps your soil retain water.
- Feed plants when you first pot and monthly thereafter.
- When looking at fertilizer: 16-16-16.
- First 16 is Nitrogen for green and growth.
- Second 16 is Phosphorus for blooms and fruit.
- Third 16 is Potassium or Pot ash for roots/stems.



Choose appropriate plants.

- Compact “bush” or have a determined size.
- Herbs are great to grow in a container.


Water, water, water.

- In the heat of the summer you will need to water your container every day.

The best things about container gardening: You can move your container and grow anything you want in it.

Raising Financially Aware Children

Summary by Jordan R. Hadfield

 Being financially savvy has a massive impact on our lives, as well as those of our children and grandchildren. Kelly Ness, of American Century Investments, focused on improving our family's finances.

The principles of financial responsibility are not well taught in schools. According to a recent study, high school children claim 88% of their financial education came from their parents.

Where do children learn money management? Statistically, children are far more likely to be savers than spenders if their parents or grandparents talk to them about money. So, what should we say?

First, we need to understand our own money habits. Which behaviors do we want our children to replicate? Which should they not follow?

Next, we need to open a dialogue. Discuss saving, investing, debt dangers, and charitable gifting. It is also important to be open about household income and budgeting. In this way, they can learn from real and personal experience.

An allowance is a great way for young children to learn. Kids who receive an allowance tend to save more than those who do not. Children should also have financial goals. This can be a great opportunity to teach them about working for income and saving for purchases. When it comes time to buy, they will have an understanding of its worth.

Creating the time to teach your children or grandchildren about financial responsibility will pay dividends. It's never too early, or too late. Bring your older children or grandchildren to your next appointment at SFS and allow them to ask questions. This will help to reinforce the value of planning, investing, and saving for the future. If you have questions regarding family financial education, please reach out to us. We would love to help you help them.



Cooking with Herbs

Summary by Leah Nelson

 Rufo Dina, the executive chef at Archibald's Restaurant in Gardner Village, gave us a cooking demonstration on how to cook with herbs. He prepared the two recipes below and they were a hit!

Other tips from Rufo:

- Add dry spices into food early so they have time to soften up.
- Use less dry spices because the flavor is more concentrated and potent.



Bruschetta

Dice tomatoes and mix in a little olive oil, fresh chopped basil, chopped garlic, salt, and pepper. Place on sliced, toasted baguette. Then top with fresh mozzarella and balsamic glaze.

Fried Green Tomatoes

Slice green tomatoes, coat in all-purpose flour, dip in buttermilk, and then coat with panko bread crumbs. Place tomatoes in hot oil (about 350°F). Fry until slightly browned on each side.

Buy a home now or wait for a recession?

By Mikal B. Aune, CFP®

The U.S. housing market is hot and home prices are going through the roof. This is due to a growing economy. Utah is especially impacted by Silicon Slope companies that are bringing in a lot of high-paying tech jobs; i.e. high demand compared to supply.

\$374,400

Average Price of U.S. Home in 2018

With home prices continuously increasing, people are questioning if this is the right time to buy a home or if they should wait for a time when the housing market cools off.

-20%

Worst Performing Period Last 40 Years Nationwide
(January 2007 to January 2009)

There are always ebbs and flows to the economy and markets, including the housing market. Many people remember all too well the housing collapse that we had in 2008, even though that was a decade ago.

We don't expect another housing collapse like that one in the next few years, but we do expect the overall market to soften up. Maybe we will have a smaller recession in 1-3 years. When that recession happens, housing prices will come down. The question for potential home buyers is, "How far will they come down?"

If housing prices in the area you are looking do become cheaper than they are now, then you may be better off to wait. This is a probability, but there is a chance that even though house prices decrease at that time, they will still be higher than they are today.

The other piece of the equation that many people frequently forget to consider is interest rates.

A 1 percent move in interest rates means you can afford roughly 89 percent of the home you could before. If you were looking at \$400,000 homes before, now you can only afford to buy a \$356,000 home for the same monthly payment.

The Federal Reserve has indicated that they plan to raise the fed funds target interest rate by 0.25% several more times this year and in 2019 as well. These are short-term rates, but they will impact the longer-term rates that determine your mortgage interest and payment.


We have been at historically low interest rates for the last decade and once that ship sails I don't expect to see interest rates this low for a very long time. However, an economic slowdown could bring rates lower again.

If you are moving, at least you have the increase on your existing home to help offset the increase on the home you are buying, unless you are moving from a depressed area to a hot area.

If you are buying for the first time and plan to stay longer than 3 years, now might be the right time to buy just to lock in low interest rates. However, you still need to seriously consider your financial situation and whether you can afford the home you want. Don't jump into something that is too much money just because you feel the pressure to get a deal done. Know your limits and be willing to back out if the deal gets too hot.

Average Home Price

1980	1990	2000	2010
\$148,400	\$176,700	\$237,200	\$314,300

Renting may feel like you are throwing your money away, but it also provides flexibility. If you only do it for a few years you won't be that far behind financially. In a few years you may even be in a better financial situation. Who knows? You might be able to buy a home at a cheaper price than you can today. 

Payment calculation based on a 30 year mortgage, loan of \$400,000, principal and interest payment of \$1,961 and interest rate of 4.25% vs. 5.25%. Data in graphics and tables from Federal Reserve Bank of St Louis.

Why We Are Watching Oil In 2018

By James R. Derrick Jr., CFA®

Despite record U.S. oil production, the price of a barrel has been climbing in 2018. The ripple effects can and will be seen throughout the economy in the coming months.

The average price of regular gasoline in the United States is nearly \$3.00 per gallon. One year ago, it was \$2.35.¹ That's a 25 percent increase at a time when few expected such a rise.

Most Americans spend between 2 and 4 percent of their income on gasoline,² so the direct impact on our spending may not seem like a big deal at first.

Americans, accustomed to the lower prices over the last couple years, have also been buying larger and larger cars.

We should also remember that oil is a major ingredient in many products we purchase (as illustrated in the adjacent graphic). While U.S. supply is growing, it has fallen globally.

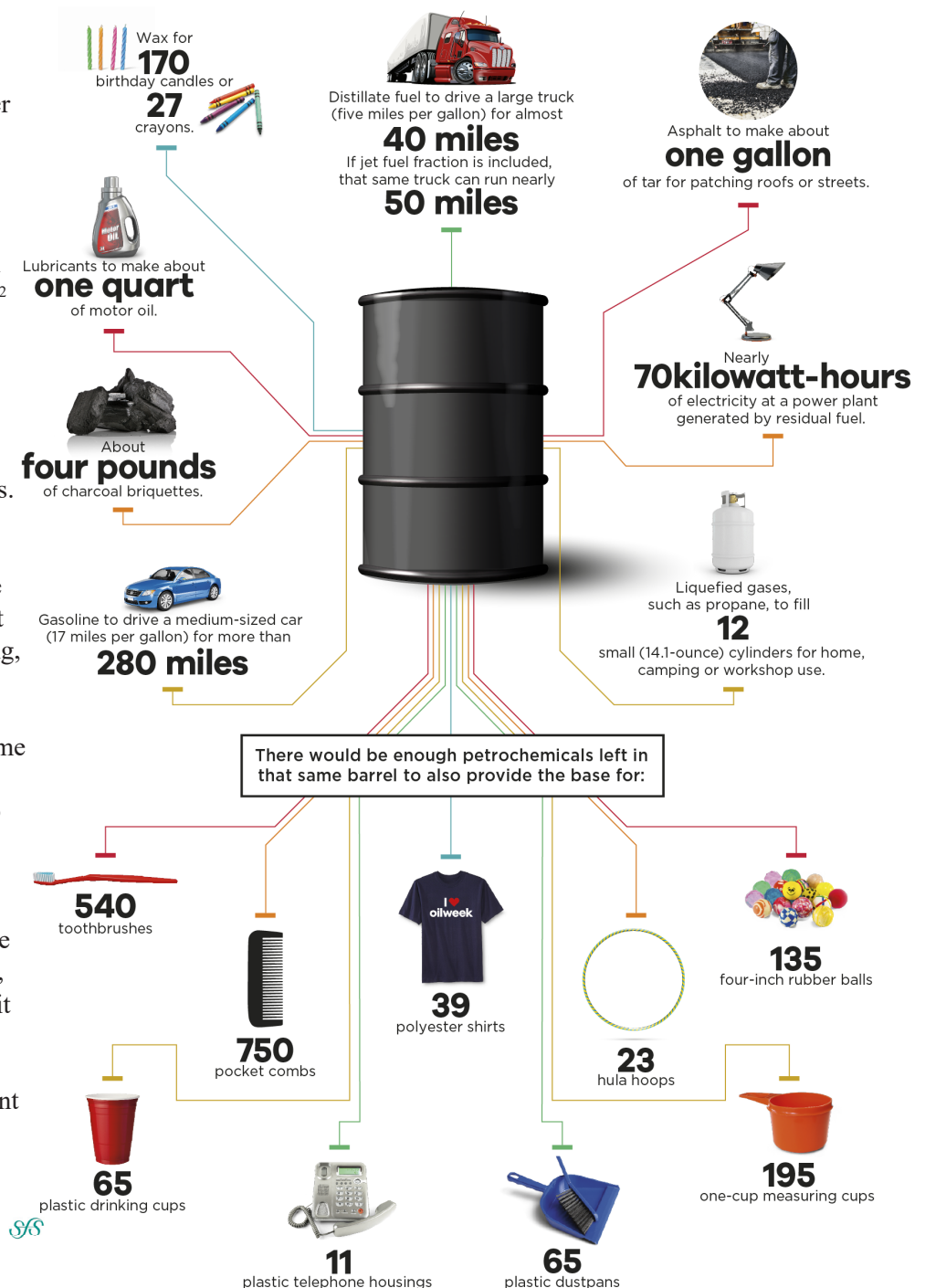
Oil prices are still far from their all-time high of \$136.31 in June of 2008. The domino effect of rising prices has also not been a major concern yet.

Global oil supply is the wildcard. If it increases (a real possibility), prices are unlikely to rise significantly. If it falls, rising prices may spread. Eventually, it could impact our spending.

Remember, consumers drive 70 percent of the economy. So, if we cut back in our spending then the U.S. economic engine may slow as well. That's why we are watching oil more closely in 2018.

What can you make from one barrel of oil?

Researchers broke down a typical barrel of domestic crude oil into what could be produced from it. The average domestic crude oil has a gravity of **32 degrees** and weighs **7.21 pounds per gallon**. Here's what just one barrel of crude oil can produce:



(1) GasBuddy.com

(2) U.S. Energy Information Administration

*Research by SFS. Graphic from Visual Capitalist. Investing involves risk, including potential loss of principal. 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 upon changing conditions. This is not a recommendation to purchase any type of investment.

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

Employers and Self Employed

- Health Insurance
- 401(k) Plans



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