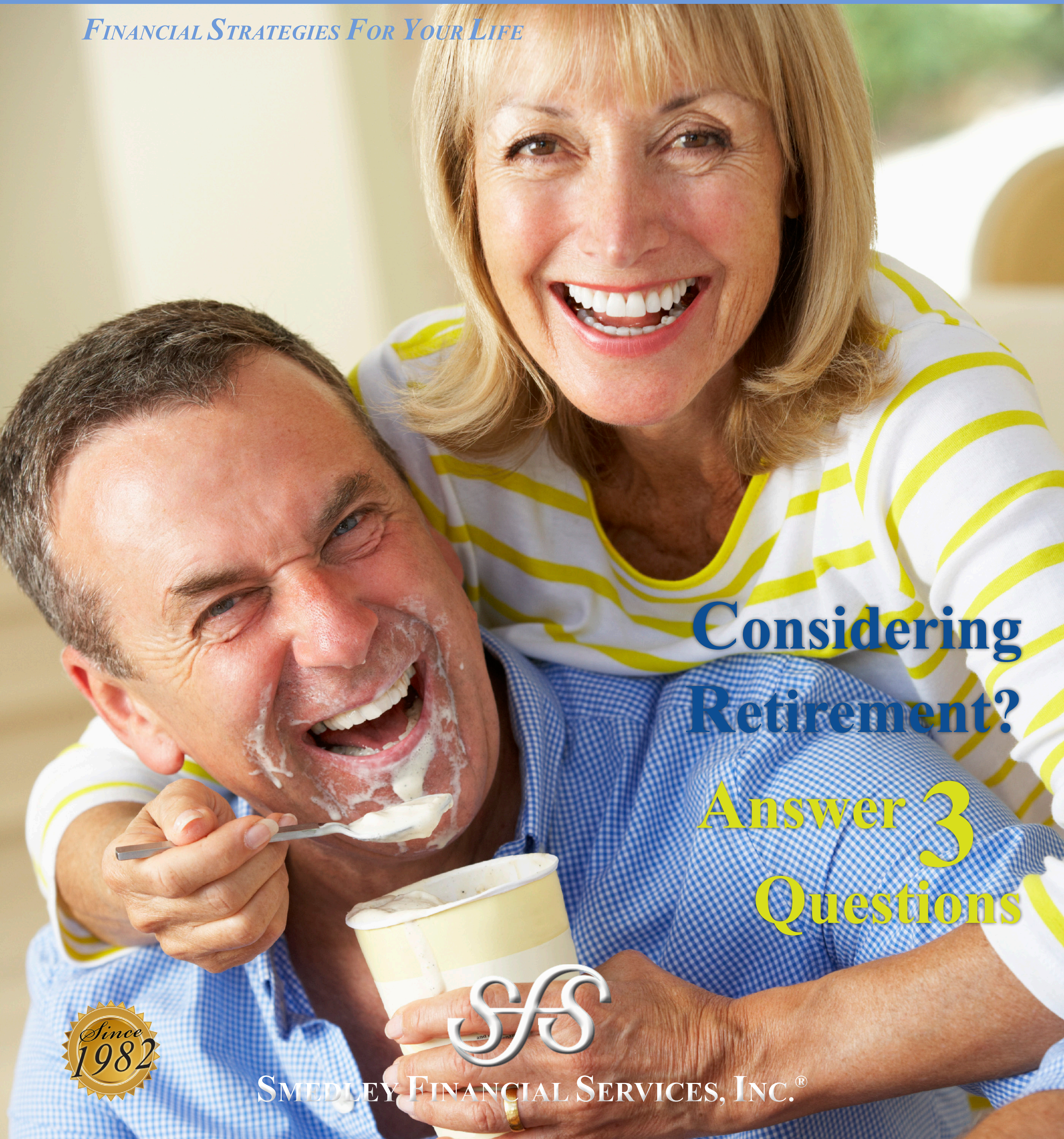
July - August 2015

Money Moxie®

Financial Strategies For Your Life



Considering Retirement?

Answer 3 Questions

Since 1982

Smedley Financial Services, Inc.®

Your Most Important Retirement Action Ages

Dear Valued Financial Partners and Friends,

Today is the most important date in your personal retirement planning. Today is the only day you can truly make a change. Yesterday has passed. Tomorrow is elusive. Act today! Here are some ages to help you, your spouse, and your posterity maximize your financial and retirement benefits.

Age 70½: For your 401(k) and traditional IRA accounts, withdrawals are mandatory. If your birthday is on or before June 30th, you must begin taking distributions the year you turn age 70. If your birthday is after June 30th, you must begin taking distributions the following year. (Do not take distributions from your Roth IRA accounts. The balances in these accounts can continue to grow tax-free without required distribution until passed to your beneficiaries.)

Age 70: If you delay taking Social Security benefits until age 70, you will take home 76 percent more money each month than at age 62, and 32 percent more money each month than at age 66. Wow! This is critical to get right because your surviving spouse will be entitled to 100 percent of your benefit.

Age 66-67: You will be penalized if you claim your Social Security benefit before your Full Retirement Age (FRA), which varies depending on when you were born. For those born between 1943 and 1954, it is 66. For those born between 1955 and 1959, your FRA begins at 66 and 2 months and moves in two month increments for each year. For those born after 1959, your FRA is age 67.

Age 66: By the way, I just introduced the term: Full Retirement Age. Your Full Retirement Age is when your Social Security benefit won't be reduced. Your Full Retirement Age is important because if you claim your Social Security benefit earlier than your Full Retirement Age, you will be increasingly penalized the earlier you claim the benefit.

Age 65: You become eligible for Medicare at age 65 and it is mandatory for you to enroll in Part A. There is a permanent penalty for each month you delay. You may enroll up to three months after your 65th birthday, but to be safe enroll in Medicare during the three months before your 65th birthday!

Age 62: If you qualify, you may sign up for Social Security benefits at age 62 for your own or your spousal (current or former) benefit. You have many options and it can get complicated. As an example, a working spouse can go to the Social Security Administration to "File and Suspend" his or her benefit. This continues to postpone the benefit, while permitting an immediate claim to the spousal benefit. (In some situations this is a brilliant strategy.)

Age 59 ½: Don't you dare touch those retirement funds just because you can! You may need them later. A husband and wife, both age 65, have a 50 percent chance that one will make it to age 92.

Age 55: During the calendar year you turn age 55 or later and you retire from your job, you may take 401(k) distributions without penalty. IRAs, however, do not enjoy this same tax code protection. Qualified public retirees may begin penalty-free withdrawals in the year they turn age 50 or later.

The date you die: Your assets receive a step-up in tax basis. I recommend completing IRS Form 706—even though it may not be necessary. Filing this will help establish and prove the step-up in basis numbers.

Today: It's the best day to change your future. Let us help you. Remember, your financial success is our passion!

Bullish Best Wishes,

Roger

Roger M. Smedley, CFP®
President

Considering Retirement?

Answer 3 Questions

By Mikal B. Aune, CFP®

If you heard that the prestigious Massachusetts Institute of Technology (MIT) did extensive research in their AgeLab and came up with three questions to predict the quality of your retirement life, what do you think the three questions would be? It would seem that the questions would be extremely complex and daunting. However, the questions are actually very simple yet insightful.

Research has shown that most people fear outliving their money. However, there are other risks that are more likely to happen and are often overlooked. As you read through each question, answer each one for yourself, or one you love, and see how prepared you are for retirement.

1. Who will change my light bulbs?

The answer seems simple: "I will." This is typically true in your early retirement years. However, what happens as age starts to creep up on you and you start to lose your mobility?

Would you really want your 90 year old mother climbing a ladder, even if she is in good health? As you age you should create a plan for when you are no longer able to do everything on your own. Will you have a child or grandchild live close by and help with odds and ends?

Or will you move into a retirement community with a handyman? Changing light bulbs "is more than an issue of long-term home maintenance. It is a question that asks, 'Do I have a plan of how to maintain my home.'"[1]

2. How will I get an ice cream cone?

On a hot summer night, when something cool and refreshing would hit the spot, will you be able to drive to your favorite creamery for a tasty treat? Even if you are lactose intolerant, or one of the rare few that just don't like ice cream, you can still ponder your ability to routinely access the small things that bring a smile to your face. Will you have adequate transportation to maintain your independence?

If you can no longer drive, do you have alternative ways that enable you to make the trips you want—not just those you need? Will you physically be able to travel to the far away destinations you have dreamed about?

Create a plan that will allow you to participate in the activities that you enjoy and that keep you engaged with life.

*Please see **Retirement** on next page*

Retirement

Continued from previous page

3. Who will I have lunch with?

When you think about having lunch with friends or your significant other, you picture a good restaurant with good food, but more importantly good friendships that bring joy and happiness into your life. Lunch is about relationships.

Life is about relationships. Baby boomers are facing a different retirement than their parents. They are more likely to live alone, have fewer children, and live in suburban or rural areas without active livable communities.[2] Today, "more than 40% of women over 65 years old live alone."[3]

Planning where to retire may be as important as how much it will cost. A home in the mountains may be picturesque, but it may not be an ideal spot to retire unless you will have a network of people you can depend on. Find a community where you will have activities and people that will keep you engaged, active, and having fun.

As you can see, planning for retirement is so much more than just making sure you have enough money. If you have concrete answers to all three of these questions, you are well on your way to a happier, more comfortable retirement.

If answers are hard to come by, then take some time to ponder these questions and talk them over with your significant other, family, or friends. Making your retirement enjoyable is all about independence, freedom, and living life to its fullest. Whether you know the answers to these three questions or not, come and talk to us and we can help make your retirement fulfilling. SS

1. MIT AgeLab: Three Questions that can predict future quality of life.
2. MIT AgeLab: Three Questions that can predict future quality of life.
3. MIT AgeLab: Three Questions that can predict future quality of life.

Keep it or trash it?

By Lynette S. Watts

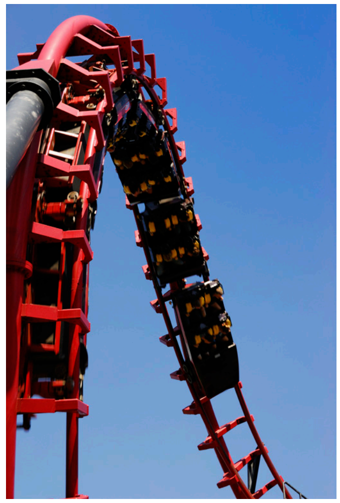
This question pops up from time to time, especially this time of year. What to do with all those saved documents? To help answer this question, here are some guidelines.

- Mortgage Information: For as long as you own the property, plus 4 years for tax purposes.
- Receipts for Purchases: 1 month, except big-ticket items requiring proof-of-purchase for insurance.
- Utility Bills: 1 month, unless you deduct for home office expenses as these are filed with tax records.
- Tax Records: Forever. Supporting documents: at least 4 years
- Bank Statements: 1 month or until checks clear. Keep documentation supporting tax deductions.
- Paycheck Stubs or Direct-Deposit Statements: 1 year.
- Credit Card Statements: 1-2 months or until reconciled.
- Records for Home Improvements, Sale or Purchase of Property: 4 years after the sale of the home or property.
- Medical Records: 4 or more years.
- Insurance Policies & Bills: Keep current policies and bills, discard cancelled policies.
- Investment Records: Keep initial purchase and year-end reports indefinitely.

Crisis Overseas Taking Investors On Wild Ride

By James R. Derrick Jr., CFA®

This July, the Lagoon amusement park in Farmington, Utah, opened its most thrilling ride ever: Cannibal. This coaster reaches 70 mph. It includes a 208 foot drop and 3 vertically inverted free-falls. The *L.A. Times* rated it 2015's 20th best ride in the world!*



Honestly, I haven't been on the ride, yet. I have found plenty of excitement this summer in the stock market as it has risen and fallen with news from overseas.

The market often feels like a roller coaster and it seems like it has been steeper lately. As our economy has improved, others have faltered, particularly China and Greece.

We know that over long periods of time the U.S. markets have been good at dropping investors off higher than where they started. So, the key for us is to get on the ride correctly and stay seated until it is over.

Diversification Is Our Safety Belt

One of the first things we do on a roller coaster is secure our restraining device and keep it on during the ride.

As investors, we live with uncertainty and we expect to be rewarded for it. Deploying a globally diversified portfolio can help us capture more opportunity.

Greece is a long way from the United States, but it has had a large impact on our daily stock market returns this summer. Greek debt is twice as big as its economy and growing. In the entire world, only Japan has it worse. (U.S. debt is approximately equal to its economy.)

As part of the European Union (E.U.), Greece has received more loans just to service the payments on the existing ones. In return, the Greek government has been forced to cut spending and raise taxes (ingredients not typically found in a recipe for economic success).

What's next for Greece? Its economy is deteriorating, but I expect the alarm will quiet down for a little while. In the coming years, the Greek crisis may return.

Fortunately, the United States is an economic leader, not a follower. The Greek crisis is unlikely to drag us down. Its economy represents 2 percent of that of Europe and just 0.28 percent of the world's.

Learn to Love the Dips

The twists and turns of the ride can be unpredictable, but we know where the roller coaster ends. Loving market declines may be asking too much from any of us.

If we truly believe the market will be higher years from now then we should view every short-term drop as an opportunity to buy low. So, stay in your seat and if you really want to prosper in a crisis, try the Warren Buffett way and buy more during the dip.

It also helps to remember that the stock market is not the economy. The market goes up and down daily on all kinds of news that may seem important, but does not fundamentally change the economic future.

Over the last five years, China has had one of the best economies in the world and one of the worst markets. In the last year, its economy has slowed from 7.5 percent growth to just 7 percent. (The U.S. economy is currently growing at 2.8 percent.) In response, the Chinese stock market is down almost 30 percent since June.

The Chinese government often states that "confidence is more valuable than gold." So, even though it sees this bear market more like an interruption than an economic emergency, it is trying to stop the drop. Will government efforts to control the free market work? It is doubtful. Expect more news of volatility from Asia in the coming months. Over the years, look for the economy to continue to grow and the market to eventually follow.

Investing can be a wild ride. There are days, weeks, and months that can be difficult. So keep your arms and legs inside the ride at all times and hold on! Unlike a real roller coaster your long-term, diversified investments should help you end higher than where you started. SFS

*Brady MacDonald, "32 Best New Theme Park Additions of 2015," *L.A. Times*, December 14, 2014.

Research by SFS. Data from public sources. Investing involves risk, including potential loss of principal. Diversification does not guarantee positive results. 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.

Your Gift

By Rodney A. Walker, CFP®

"The greatest gift you can give to your family is pre-need planning," according to the Federal Trade Commission (FTC). Planning your own funeral, talk about a doom and gloom gift. So why is pre-need planning such a great gift?

The toughest days in life come when you lose someone you love. The range of emotions and stress that family and friends go through is enormous. Major decisions are made under the weight of high emotions that can push funeral costs to be greater than necessary. Pre-need planning can eliminate many difficult decisions that would fall to loved ones.

Here are five beneficial reasons a pre-need plan should be discussed and created:

1. It reduces emotional decisions in time of great tragedy.

2. It protects against emotional overspending.

3. The deceased's wishes are clearly outlined, preventing arguments.

4. Future increase in funeral expenses can be mitigated

5. It helps remove financial burden from family.

There are various ways to create a pre-need plan. One way is to express your wishes on paper. This list will give loved ones direction for what you want done. Funeral homes can offer outlines of information that needs to be gathered: financial preferences, burial vs. cremation, and funeral speakers. This planning works smoothly if you have money already set aside in life insurance or investments to cover the cost.

Another option is to purchase a funeral plan now. It is vital to realize which parts of funeral expenses are covered by the plan and which parts are not covered. I have heard many stories of people who purchased a funeral plan, only to have the family still pay a portion of the cost.

Every funeral home has a different reputation and levels of service. Arrange time to visit with multiple funeral homes and find the one that fits your values and beliefs and provides the service you expect.

Three common mistakes when pre-need planning:

1. Delaying the plan–whatever the excuse. You never know when it will be too late.

2. Planning on cost alone–shop around and compare all that is included. It may be that some services are covered in one plan but not another.

3. Not involving loved ones in the planning process–people love you and want to help.

Planning your funeral can be awkward, but it is also rewarding. It is a time to reflect on life and realize that our mortality is limited. It will help you reflect upon your goals so that you can live the life you want to live. For that reason, Smedley Financial agrees that pre-need planning is one of the greatest gifts we can give.

Early Returns Matter Most In Retirement

By Sharla J. Jessop, CFP®

Imagine planning on a 7 percent average annual return on your investment, getting it, and still running out of money in retirement. Unfortunately, this happens to many investors without proper planning and smart investing. Why? The order of when the positive and negative years in the market occur can be devastating or rewarding—we call this the sequence of returns.

Average annual returns are often used when projecting future outcomes in retirement planning. For instance, you may project that during your retirement years your investment accounts will average a 7 percent annual return.

Chart 1 illustrates how an account would perform assuming a 7 percent average annual return. As you can see, the picture looks very promising. You may believe that after 30 years, you would have more money than when you started. Actual market volatility can deliver a much different result.

The next two charts paint an entirely different picture. In both cases, the average return is still 7 percent. Chart 2 shows the impact of positive returns in the early years of retirement–the type of scenario experienced by those who began retirement around March of 2009.

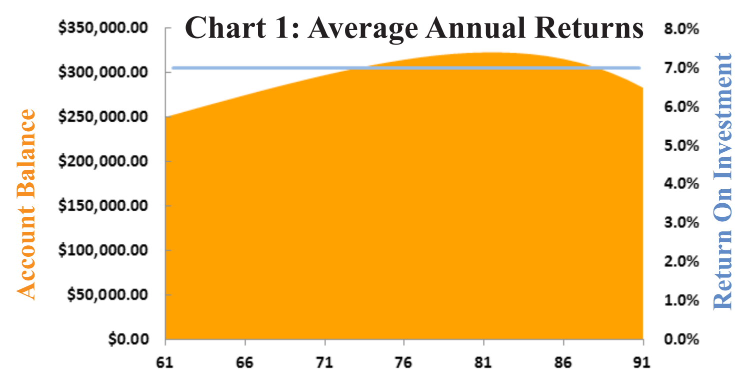
For many years, even though there may be day-to-day volatility, investors would experience positive returns. This could allow an account to grow even with consistent withdrawals.

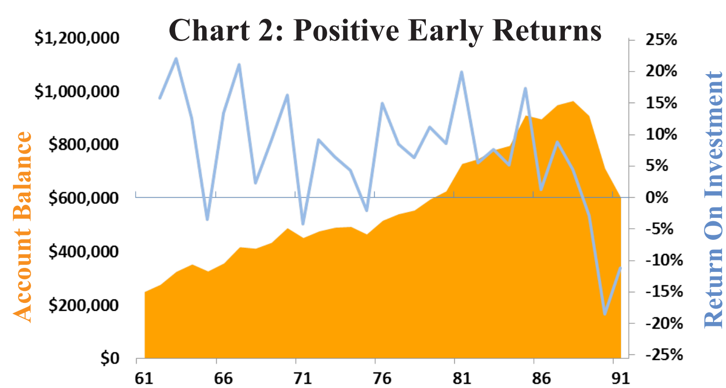
But what if you retired at the beginning of a financial crisis? This happened to many people that retired in the fall of 2007.

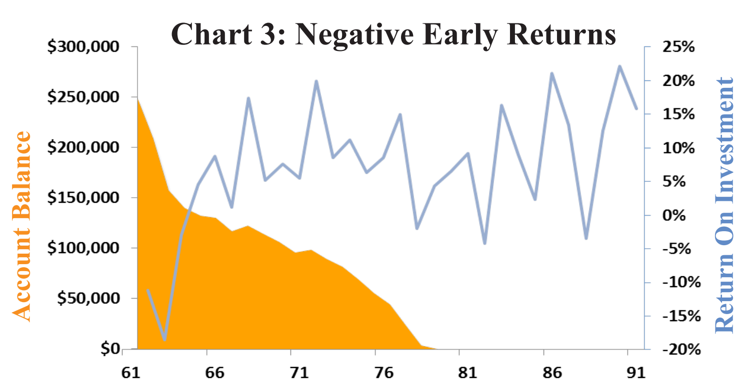
Taking distributions from a shrinking account can deplete a nest egg earlier than expected. Chart 3 shows the impact of negative returns in the early years of retirement. As you can imagine, this type of scenario can be financially devastating.

Most retirees cannot afford a market landslide as they begin retirement. It may require them to reduce their standard of living or delay retirement.

Lifetime Income Planning addresses the sequence of return issues and many other critical retirement planning concerns. Let us help you design a plan to help protect you. Call today to receive a free brochure or to speak with one of our wealth consultants: 800-748-4788.







For illustrative purposes only. Not indicative of an actual investment. Assumes a beginning account value of $250,000. Annual withdrawals of $12,500 adjusted for 3% inflation. Past performance is not guaranteed.

Your SFS Team

Smedley Financial Services, Inc.® is an independent registered investment advisory firm. We work for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using the strategies that work towards each client's needs and goals. We work with individuals, businesses, and family estates. We provide financial solutions for your life.

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

Family Protection
- 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

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

Nashaela Lyons
Client Service Specialist
Joined 2013

Shane P. Thomas
IT Specialist &
Advisor Relations
Joined 2003

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

Lynette S. Watts
Client Service Specialist
Joined 2000

Smedley Financial Services, Inc.®, a registered investment advisory firm since 1982
102 South 200 East, Suite 100 P.O. Box 4133 Salt Lake City, Utah 84110-4133
801-355-8888 800-748-4788
info@SmedleyFinancial.com
SmedleyFinancial.com

Securities offered through Securities America, Inc. Member FINRA/SIPC. Advisory services offered through Smedley Financial Services, Inc.®
Roger M. Smedley, Sharla J. Jessop, James R. Derrick, Rodney A. Walker, Shane P. Thomas, Mikal B. Aune, representatives.
Smedley Financial Services, Inc.® and Securities America, Inc. are separate entities.
Certified Financial Planner Board of Standards, Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ and federally registered CFP (with flame design) in the United States, which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.
MONEY MOXIE® is published by Smedley Financial Services, Inc.® Copyright 2015 Smedley Financial Services, Inc.® All rights reserved.