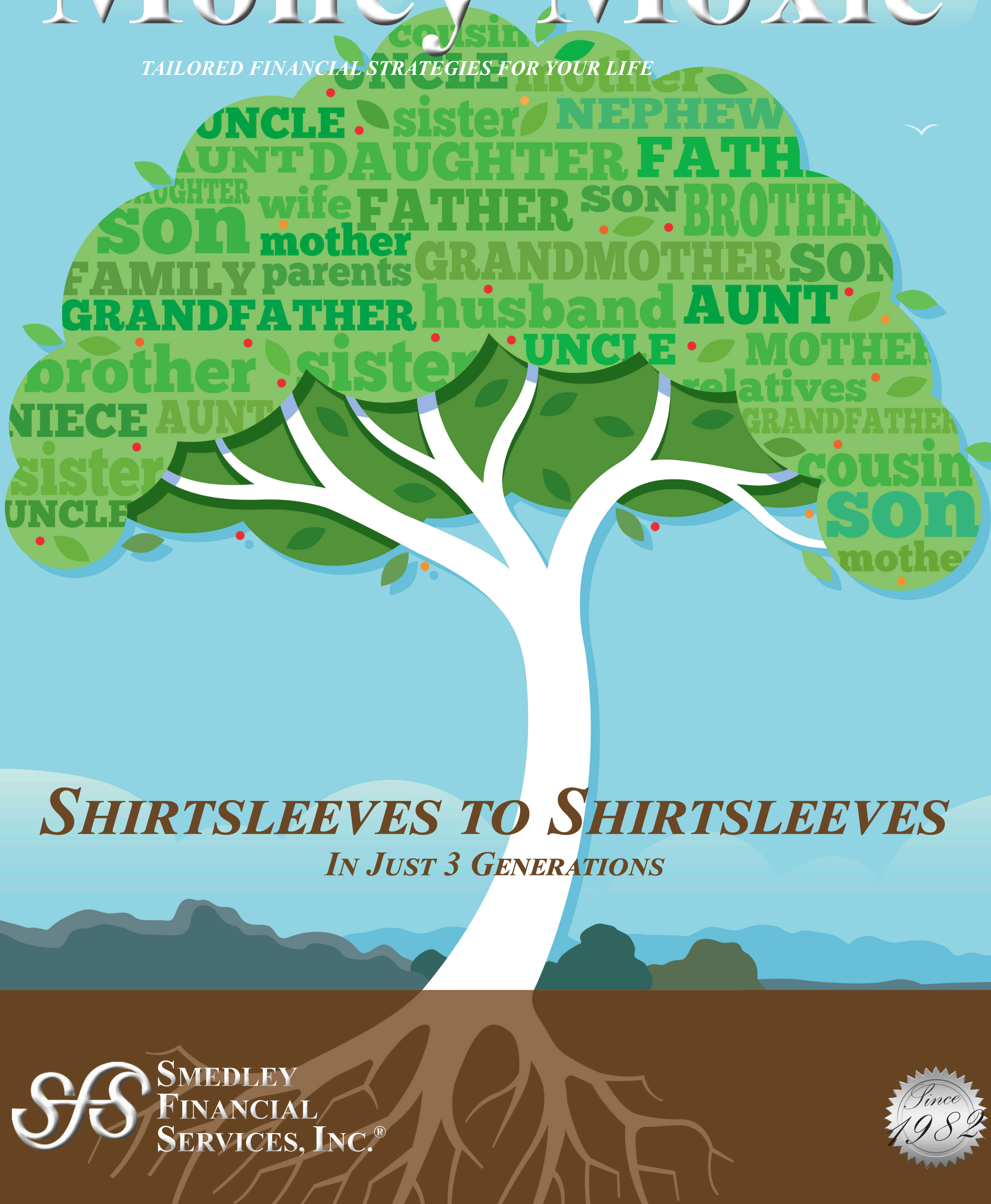
July – August 2018

Money Moxie®

TAILORED FINANCIAL STRATEGIES FOR YOUR LIFE



SHIRTSLEEVES TO SHIRTSLEEVES

IN JUST 3 GENERATIONS

SMEDLEY FINANCIAL SERVICES, INC.®

Since 1982

Just In Case You Missed It

Dear Financial Partners and Friends!

How is the U.S. economy really doing? Here are a few quotes and facts regarding the past, the present, and the future.

The Past: "*We Ran Out of Words to Describe How Good the Jobs Numbers Are*," ("The Upshot," Neil Irwin, *The New York Times*, June 1, 2018.)

The Present: The U.S. economy jumped to an annualized rate of 4.1 percent GDP in the second quarter of 2018. That's almost double the first quarter's rate of 2.2 percent. This is the fastest rate of growth since 2014. This is great news for all of us!

The Future: The following quotes are from Elizabeth MacDonald's, "Evening Edit," *Fox Business News*, July 19, 2018. MacDonald said,"*(Here are) CEO commitments for more jobs over the next 5 years.*"

FedEx®: "*FedEx® will train or reskill 512,000 people over the next 5 years.*"

General Motors®: "*General Motors® is proud to offer 10,975 workforce training opportunities.*"

The Home Depot®: "*The Home Depot® is pleased to provide enhanced training and opportunities for 50,000 associates.*"

Raytheon®: "*Tom Kennedy from Raytheon® and we pledge 39,000 enhanced career opportunities.*"

The U.S. economy is doing well. As a result, most Americans are doing well. Remember this: Your financial success is our passion and our mission at Smedley Financial.

Best Wishes,

Roger

Roger M. Smedley, CFP®
CEO

Shirtsleeves to Shirtsleeves In 3 Generations

By Mikal B. Aune, CFP®

There are many ways to improve a person's wealth without spending money and there are many ways to destroy someone's wealth by giving them money. In families, there is a pattern where the first generation builds wealth, the second generation maintains it, and the third generation squanders it. This cycle of wealth creation and destruction in the U.S. is called "shirtsleeves to shirtsleeves in three generations." It applies to families that have $10,000 to $100,000,000.

This phenomenon is so universal that it happens throughout the entire world. In Ireland, it is called "clogs to clogs in three generations." China's version is

Continued on next page

...Shirtsleeves to Shirtsleeves In 3 Generations continued.

"rice paddy to rice paddy in three generations." Ninety percent of families that gain wealth succumb to this parable. So, what do the ten percent of families do right to preserve their wealth?

(1) Families change how they define wealth. Wealth is much more than money. It is human, intellectual, AND financial capital. Human capital is physical, emotional, and social well being. Intellectual capital is knowledge and experience. Financial capital is money and assets.

The goal is to improve the human, intellectual, and financial capital for each generation. Financial capital is only one mechanism to help improve the human and intellectual capital of each of the family members.

(2) Families think of their family as a business. The purpose of the business is a long-term succession plan that tutors each member and prepares them to lead the family in the future. With that comes an understanding that each generation needs to work to build wealth like the first generation.

(3) Families implement a 7th generation mentality. Inheritors typically have a "rush" of adrenaline and are prone to make poor choices, like buying a new car. On average a new car is purchased within 72 HOURS of receiving an inheritance. Instead, family members must be stewards of assets--not just inheritors. As stewards, the financial capital is intended to improve their lives AND the lives of each successive generation, to the 7th generation.

(4) Families define their values and use stories to pass them to the next generation. Without a helm, a ship will sail off course. If families aren't governed by values, they will also veer off course. The most effective way to pass on values is through stories. These stories should be documented and shared at gatherings or in a newsletter.

(5) Families understand and manage the risks that are being taken with their financial capital. The third generation tends to either be too aggressive or too lax with the financial capital. Each successive generation should be tutored in investing so they can have a better understanding of potential risks and rewards.

(6) Families teach their posterity how to give. A person's perception of wealth is changed when they see others who have difficult life circumstances. Families can create purpose, unity, and a changed perception of money by working together to come up with donations for a charity and then going together to do service for that charity.

(7) Families understand that most issues with wealth preservation are qualitative and not quantitative. Like reviewing a family's financial balance sheet to determine growth from one year to the next, families need to hold an annual council to review the progress of each family member.

Some questions to determine this are: Is each member thriving? Is their human, intellectual, and financial capital improving/deteriorating? Is there any assistance that the family can provide without controlling or enabling?

No family is perfect and all families will have issues due to death, divorce, substance abuse, mental illness, etc. However, these issues can be overcome if the family members find common values and strive to show mutual respect, love, forgiveness, and compassion.

Families that have worked hard to build wealth, be it tangible or intangible, don't want to see that wealth squandered. A family can pass on wealth if family members work together to improve their human, intellectual, and financial capital. This requires planning and work. However, the rewards of seeing a family's wealth grow are immeasurable. SS

Source: James E. Hughes, Jr. (2004) Family Wealth: Keeping It in the Family

Purchasing a New Car?

By Sharla J. Jessop, CFP®

Purchasing a new car can be a harrowing experience. So much has changed over the years. Remember when the average term for a car loan was three years? Rising prices have pushed lenders to draw auto loans out to 7 and even 8 years. Is this a good thing or a bad thing?

Think back to your beginning finance classes where you learned the difference between appreciating assets and depreciating assets. With a few exceptions, cars fall squarely into the depreciating asset side of the ledger. If a loan is stretched out over a longer period and the car is dropping in value, it is not hard to end up on the wrong side of this equation – owing more than the car is worth.

Sometimes the purchase of a vehicle is driven – pun intended – by wanting something rather than by applying logic to a need. You can avoid a costly situation by doing some homework before you make a purchase. Here are some things to consider before your next purchase.

(1) How much can you afford monthly?
This should be a starting point. Take this payment and find out how much you can afford to spend with a 4-year or 5-year loan. If you can afford a $325 payment, you should look for a car around $17,500. This is based on a 5-year loan at 3.99% APR. Most banks and credit unions offer online calculators to help estimate monthly payments. Don't forget about the extra costs: sales tax, licensing, and insurance.

(2) Should you buy new or used?
It doesn't take long for the excitement and new car smell to wear off. Buying used is often a better value and prevents you from owing more than the car is worth.

Most new cars have a high level of depreciation in the first 12 to 24 months after purchase, some see a drop of 30 percent or more. Others will lose that amount over three years. Even if you plan to hold onto your car for a decade, you will come out ahead with a little research. And keep in mind, a vehicle that depreciates quickly in the first couple years may be a poor choice for a new car, but worth considering if you are looking to buy a used car.

(3) How is the car rated?
Consumer Reports offers a wealth of research-based information on new and used vehicles. The focus is on safety, reliability, and resale value. You can sign up online to use the service and it's well worth the price, or find similar information for free on the website of another trusted source.

Treat yourself well financially. Before hitting the car lot, know what you are looking for and how much you can afford. Make your car-buying experience less stressful and sidestep remorse when the deal is done.

Trade

Helps Make America Great

By James R. Derrick Jr., CFA®

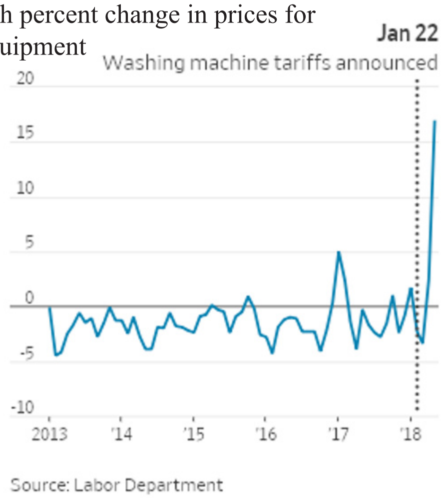
Harley Davidson®, the iconic American motorcycle company, plans to close a Kansas City factory and lay off 800 workers. It will consolidate operations and open a factory in Europe. This surprising announcement came despite actions meant to support U.S. manufacturing and jobs. It is an unintended consequence and casualty of our current trade war.

Trade promotes global peace, grows our economy, and brings greater opportunity to the greatest number of people. The United States has experienced huge benefits over the last century because of increased trade, and Americans want to continue to compete fairly in the global economy. No matter how tough the trade talk, Americans should want more trade, not less.

The trade war is a tactic for negotiating better agreements. Hopefully, we get there soon because we are only beginning to see the effects and the uncertainty.

Be Careful What You Wish For

Three-month percent change in prices for laundrey equipment



In January, Whirlpool® CEO Marc Bitzer celebrated the announcement of washing machine tariffs. Today, washers cost 20 percent more, which has led to a 20 percent drop in sales and a more than 10 percent loss in the value of the company.

Don't Let A Trade War Become A War On Trade

One of the greatest risks the United States has taken is to raise tariffs on so many countries at the same time. This year, the United States has raised tariffs on China, India, Mexico, Canada, and members of the European Union. These have reciprocated U.S. action and have quietly been making better agreements with each other.

China created the Asia Pacific Trade Agreement and as of July 1, it lowered tariffs on approximately 10,000 goods coming from trade partners, including South Korea, India, and other regional countries. China is considering similar agreements with Mexico, Canada, Brazil, and Europe. Japan recently signed its own "free-trade" agreement with the European Union.

The forceful approach could backfire just as it has in the case of Harley Davidson® and Whirlpool®. Farmers, for example, are also feeling the pinch. With fewer international buyers, the value of many crops has fallen. They have been offered a bailout, but seem more interested in farming than handouts.

Can We Emerge As Winners?

The United States is engaging in a risky tactic in order to obtain something quite reasonable: fair trade and protection of our intellectual property.

To make it happen, we need to start winning by focusing on more friendly trade partners. The more good agreements we get, the easier it will be to get the final countries to negotiate a fair deal.

Trade allows Americans to focus on what we do best. This specialization allows for higher innovation and new technologies. It leads to less expensive food and better prices on items that we want. Specialization also makes us more productive so that we can earn more working. All of this translates into a higher standard of living for most Americans and a more peaceful society. SfS

We are pleased to introduce two new advisors at Smedley Financial, Jordan Hadfield and Leah Nelson. In our search for new advisors, we focused on people who had an in-depth education in all facets of financial planning and advising and demonstrated a high level of integrity. We were fortunate to find two amazing individuals with these sought-after qualities. If you have not had the opportunity to meet them yet, we hope you will over the next several months.

Jordan Hadfield

On May 27th, 2012, I climbed into the right seat of a small aircraft next to a student pilot and took off down the runway. I was flying a Diamond DA20, and this trip was taking me from Provo to Lake Havasu to Catalina Island then up the coast to San Francisco and over to Lake Tahoe before heading back home. We flew low and slow, trying to take in the changing scenery and beautiful landscapes.

I was well on my way to becoming a professional pilot and hoped to land a full-time job flying very soon. That plan changed when I met my beautiful wife and realized a career in aviation would require constantly flying away from what matters most to me, my family. I now have two amazing boys and a little girl who rule my world. I have a bachelor's degree in Personal Financial Planning from Utah Valley University and I am working towards my Certified Financial Planner® designation. Although I miss flying, I couldn't be happier with what I'm doing now.

I used to chart my way across the United States and experience the freedom of flying. I now chart investments and retirement accounts to bring financial freedom to others. I find both activities to be exciting, but the latter gives me a sense of gratification that flying never did. I'm also a drummer. I love photography. And I work as a professional skydiver.

Leah Nelson

For my whole life, I have watched many people around me struggle and make bad financial decisions. Seeing this inspired me to make the decision to become a financial advisor.

I graduated from Utah Valley University with a bachelor's degree in Personal Financial Planning and successfully passed my Certified Financial Planner® (CFP®) exam.

I want to be on the client's side helping them make good financial decisions to lessen the stress they feel because of their finances. I have always had a desire to serve people, and I'm glad I've chosen the financial services industry to help people reach some of their most important life goals.

In my free time, I am involved in musical theater. Music is one of my favorite things, and I enjoy passing the time by playing the piano, ukulele, or singing. I also love traveling. I'm lucky to have a sister that is willing to be my travel buddy! I love spending time with my family as well. They are fun to be around, and I love seeing what silly thing my nephew will do next. I am so excited to be part of Smedley Financial!

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

Employers and Self Employed
•Health Insurance
•401(k) Plans

Roger M. Smedley, CFP®
CEO
Founded 1981

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

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

Mikal B. Aune, CFP®
Vice President of
Wealth Management
Joined 2006

Shane P. Thomas
IT Specialist &
Advisor Relations
Joined 2003

Jordan R. Hadfield
Private Wealth Consultant
Joined 2018

Leah Nelson
Private Wealth Consultant
Joined 2018

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
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