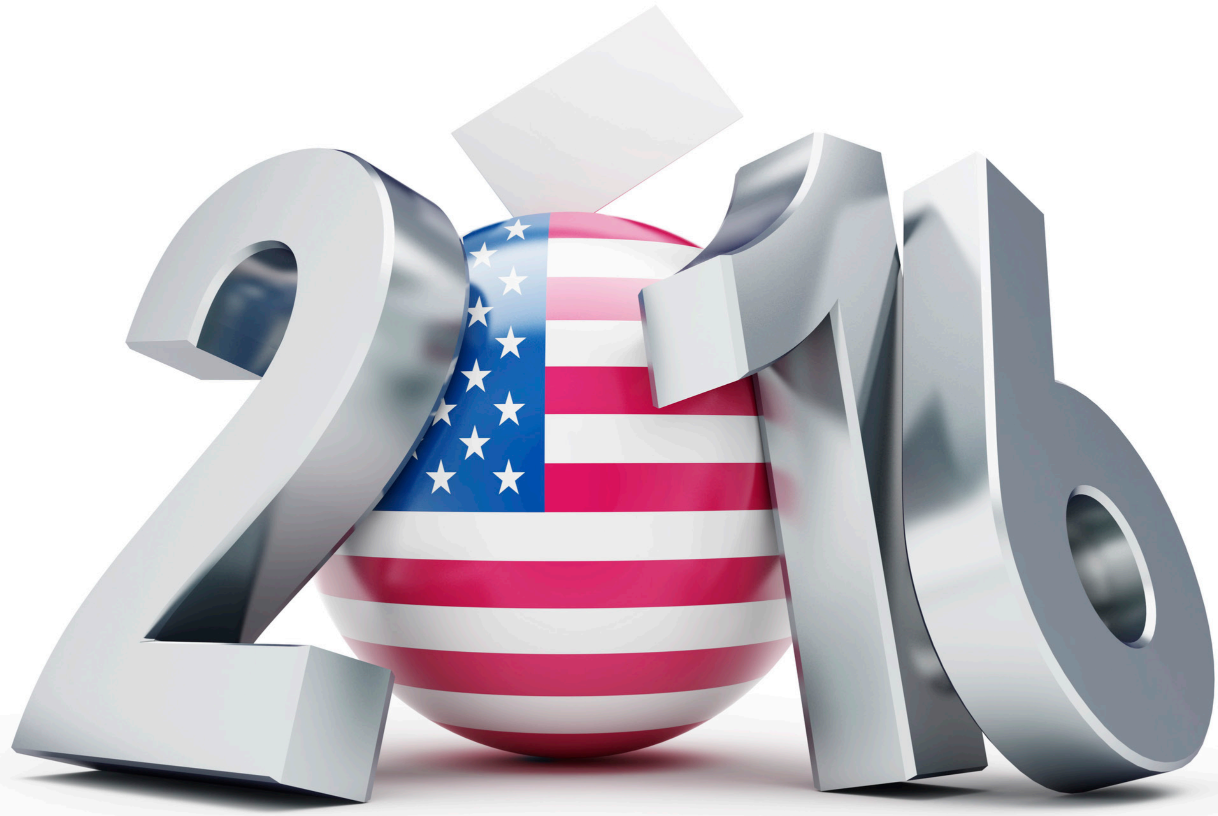
November – December 2016

Money Moxie®

TARGETED FINANCIAL STRATEGIES FOR YOUR LIFE



How Election Results Will Impact You

Since 1982

Smedley Financial Services, Inc.®

The Attitude of Gratitude

Season's Greetings Dear Friends and Financial Partners,

Recently, I heard a man talk about being cut off in traffic. Rather than complaining, the man surprised me by saying that less than one percent of the world's population will own or even be in a car. He had the attitude of gratitude. Now, I don't know how to test the veracity of the man's statistic, but his point was well received by me.

In the United States of America, so many of us are blessed to live like kings and queens. A little over one hundred years ago, our forefathers did not enjoy the conveniences of indoor plumbing, hot water on demand, carpeting, microwave ovens, refrigeration or air conditioning. These modern-day conveniences are quite remarkable and only made possible by the hard work and sacrifice of those who have gone before.

Perhaps you are familiar with this phrase by the English mathematician Sir Isaac Newton some 340 years ago in 1676: "If I have seen further than others, it is by standing upon the shoulders of giants." Sir Isaac Newton was just 34 years old when he uttered those words.

What Sir Isaac Newton meant—while pondering his life as a physicist, astronomer, alchemist, inventor, natural philosopher, and mathematician—was that by using the understanding gained by major thinkers, who had gone before, he was able to make the intellectual progress that he did.

In a similar way, each generation of Americans has sought to make the lives of their children and grandchildren better than their own. Today, we are the beneficiaries of those who have gone before. (FYI: From Latin, the prefix, "bene," means well or good.)

We have all heard of someone who has survived a horrific disaster, such as an earthquake, flood, major automobile accident, or household fire. It is not uncommon to hear him or her say, "Thankfully, I have my family and what else matters?"

Everything that is ultimately important comes back to our family and friends. It all comes down to our personal relationships with each other. At Smedley Financial, you become not only our friends, but more like family. We are so grateful for you.

Please have a safe, wonderful Thanksgiving and Christmas, and a Happy and Prosperous New Year!
Bullish Best Wishes,

Roger

Roger M. Smedley, CFP®
President

Post-Election Financial Update

Are you ready for the changes the next president of the United States has planned? Join us for our upcoming webinar as we discuss the proposed changes (found in this newsletter) and what impact they may have on you.

Friday, November 18th at 12:00 PM MST
Join the webinar by going to JoinWebinar.com and entering the webinar ID 785-405-179.

Watch your email or call 800-748-4788 for more information.

The Promise of Prosperity

By James R. Derrick Jr., CFA®

Americans want a strong country and growing economy. That much we agree on. Of all the promises we heard this election year, none may be more difficult to keep than the commitment to boost growth up to levels last seen decades ago.

Since 2009, the U.S. economy has increased at a rate of 2 percent. Many countries envy that number, but Americans expect more. Our increases were twice as big 20 years ago.

In all of human history I know of no other time with such miraculous growth as post World War II. We have come to accept boom times as normal.

Impact of Spending on Growth

Decade	Gov't Spending	Real GDP	Tax Revenue
1950s	8.5%	4.2%	9.0%
1960s	8.2%	4.5%	8.8%
1970s	8.4%	3.2%	10.0%
1980s	8.1%	3.1%	8.4%
1990s	4.4%	3.2%	6.0%
2000s	6.1%	1.8%	2.7%
2010s	1.1%	2.2%	6.1%

Growth in government spending has been declining since WWII, followed by slowing economic growth (GDP) and tax collections (strangely referred to as "revenue").

From 1948 to 1973 the average economic output of an American worker doubled. That productivity trend continued until the early 2000s when it suddenly slowed.

Consumers Carried the Economy

The "Great Recession" of 2008-2009 complicated things further by drastically altering Americans' perception of stability and diminishing their tolerance for government debt.

This led to tighter limits on government spending, which has been a huge drag on economic growth. The federal government has cut spending 4 of the last 5 years. This is good short-term because it reduces debt. The long-term impact is less certain.

How much can our economy grow when the government is cutting spending? Who picks up the slack? Businesses have been hesitant to reinvest large amounts in long-term projects. So the responsibility for economic growth has fallen on the shoulders of the U.S. consumer.

Politicians Turned to Spending

Today, politicians and economists are calling for stimulus. What form this takes is yet to be seen, but the popularity of such an idea is rising. Both presidential candidates announced plans to increase government spending to improve infrastructure and stimulate an atmosphere of growth. Donald Trump plans to increase spending by $500 billion. (Hillary Clinton proposed bumping it up by $275 billion.)

Will Stimulus Work?

The answer for decades following the Great Depression was "yes." The theory is that for every dollar the government spends it can boost the economy by several dollars—creating more wealth than was spent as the dollars circulate through the country.

It fell out of favor in the 1980s and 1990s. Now it's back.

If stimulus is going to work then it should be concentrated on "fiscal multipliers." These are the best places and they are often described as levers that can be pulled to actually create growth in the economy.

For stimulus to work it should be focused on the most effective area: infrastructure. Why?

1. Immediate creation of jobs
2. Jump in demand for construction materials
3. Greater efficiency for the entire economy
4. Investment in the future of America

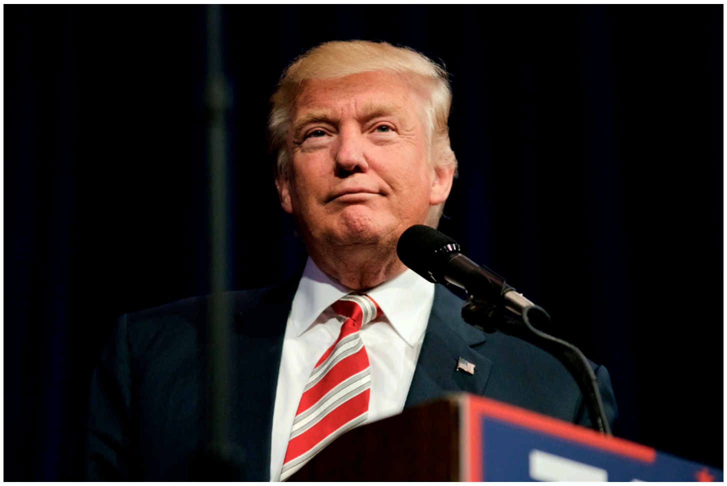
Our bridges, airports, and freeway systems are in need of repair. Our electric grid is outdated and vulnerable as well. Technological advancements have redefined living. It may be time to apply some innovative American ingenuity to our infrastructure.

If there ever was a time that Americans could benefit from this stimulus it would be following a lack of spending—a situation we now find ourselves in. SFS

Research by SFS. Data from the Federal Reserve Bank of St Louis. Past performance does not guarantee future results.

Election Impact

By Sharla J. Jessop, CFP®
& James R. Derrick Jr., CFA®



President-elect Donald Trump made a lot of promises to Americans on the campaign trail. Yes, he proposed building a wall on the Mexican border and blocking certain groups from immigrating to the United States, but none were more important to voters than how the candidate would impact their money.

Trump believes his economic plans will double U.S. growth, which is currently at 2.9 percent. He plans to focus on cutting taxes for the rich, increasing government spending, and negotiate better trade deals with foreign countries. If necessary, he has even suggested imposing tariffs on imports of goods to the United States.

Republicans will control the Senate and House of Representatives, so the next president may find it easier to get things done, especially at first. Here are a few of the promises made during Trump's campaign.

★ Jobs

The foundation of the United States is firm and its economy is strengthening. Unemployment numbers cannot get much better than current levels. Wage growth may be a more valuable measure of economic health. Infrastructure spending of $500 billion may help by boosting productivity of Americans in the long-term.

★ Education and Family

Both candidates in 2016 favored better child-care options for parents. These were Trump's:

- Require paid maternity leave for 6 weeks.
- Make child care expenses tax deductible.
- Allow "dependent care savings accounts."

★ Healthcare

When it comes to healthcare, any president faces an aging population and rising costs of new medical technology. Trump plans to repeal the Affordable Care Act and replace it with something different.

- Make health insurance premiums tax deductible.
- Encourage health insurance to be sold across state lines (something already allowed by federal law).
- Allow imports of foreign drugs where prices are cheaper.

★ Taxes

Trump has proposed many changes to the tax code. The greatest impact will be on the top one percent of earners who are estimated to save about $100,000 in taxes every year.

- Increase the standard deduction to $30,000 for joint filers from its current level of $12,600.
- Eliminate the personal exemption of $4,050 per dependent that parents use.
- Eliminate estate tax.
- Eliminate alternative minimum tax.
- Lower corporate tax to 15 percent.

★ Investments

In the coming months very little should change. Increased government spending on infrastructure combined with tax cuts roughly the same size could boost growth in the coming year or two. It would also increase the national debt significantly. This could depress the value of existing bonds as interest rates rise on U.S. debt.

If we raise tariffs and other countries do the same then global trade could decrease and the cost of goods could rise. Less trade would also decrease profitability for U.S. exporters. This could even cost workers their jobs.

Our advice? Vote with your ballot, not your portfolio. Think of all the missed opportunity if one withdrew whenever there was uncertainty. Whether your favored candidates were elected or not, we want to reinforce the importance of sticking to your long-term plans.

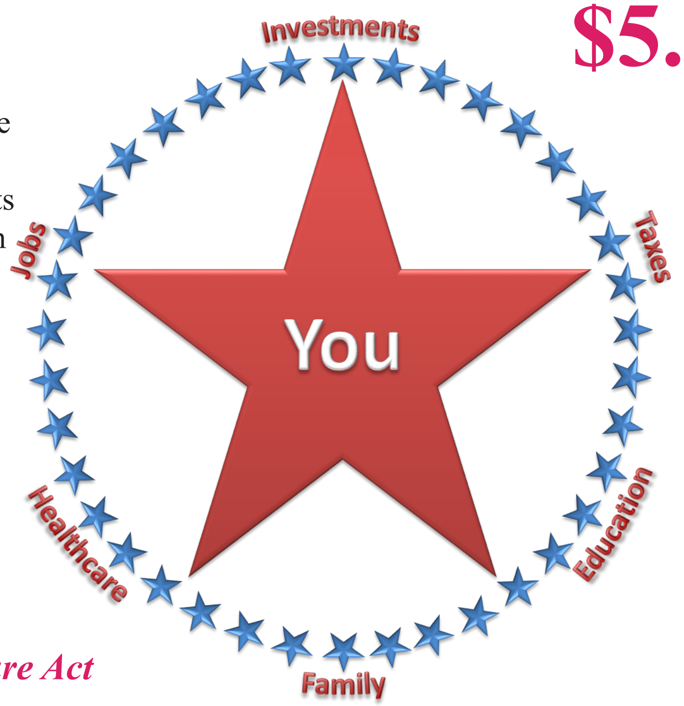
President-elect Trump's Proposals

$500 Billion

Increase in Infrastructure Spending
(Hillary Clinton proposed $275 billion.)

Tariffs

Slowly abandoned since WWI, these would decrease imports/exports and may raise prices on goods in the United States.



$5.3 Trillion

Amount cut in taxes over 10 years–more than any tax cut in history. The more money you make, the more money you would save. The government would issue more debt to pay its bills.

Repeal the Affordable Care Act

15%

New Corporate Tax Rate.

6 Weeks

New law for paid maternity leave.

Immigration

Plans to curtail immigration.

*Sources: Ian Salisbury, "The High Stakes Election," *Money Magazine*, Nov 2016; The Tax Foundation; Committee for a Responsible Budget, Trump campaign. Smedley Financial and its employees do not provide tax advice; therefore it is important to coordinate with your tax advisor regarding your specific situation.

The Family Bank

By Mikal B. Aune, CFP®

Many clients have wondered how to give money to adult children without creating dependence. Financial dependence can be an "addiction that is as serious as dependence on alcohol or drugs."

This becomes even more problematic when you start looking to give assets to grandchildren and successive generations. One simple yet sophisticated tool to create a financial pool that can be self-perpetuating is a family bank.

The main purpose of the family bank is to use assets to improve the human and intellectual capital of each successive generation.

Rather than just gifting assets away, you create a "bank" where the children or grandchildren can apply for a loan through a formal process. There is a board of trustees, formed of family members, that reviews the application and approves or denies the loan. The loan is then repaid over time at an interest rate that is slightly lower than the prevailing interest rates. The repayment of the loan replenishes the family bank for future family members to use.

The benefit of using a family bank is that it promotes a sense of accountability as the recipient has to first prove the merits of their request and second return the capital based on the returns they receive from their endeavors.

Frequently, family banks are used to help pay for college, provide mortgages, or provide seed capital for a start-up business.
Again, the goal should be to improve the human and intellectual capital of each family member. It should be more than just a son asking his mom for $20. It should not be a gift that has no purpose and no expectation of repayment.

To set up a family bank you can use a legal document like a trust or a Limited Liability Company (LLC) to dictate how the family bank is operated.

As you work with an attorney to create these documents, be sure to include a mission statement. The purpose of the mission statement is to explain your intent and goals to help guide future generations in the administration of the family bank.

Once the governing documents are created, you can open an investment account that is titled in the name of the trust, LLC, or family limited partnership. It can be invested according to the restrictions in the documents.

If it is planned and implemented correctly, a family bank "can be a powerful mechanism to put wealth to good use for the benefit and development of the family." If you have questions about how to set up a family bank, please contact one of our private wealth managers.

*Smedley Financial and its employees do not provide tax advice; therefore it is important to coordinate with your tax advisor regarding your specific situation.

Financially Empowering Your Adult Children

By Alli Osgood

With life expectancy increasing each year, saving for retirement is becoming more important. You've worked hard your entire life, sacrificed to take care of others, and now, as you're nearing retirement or are in retirement, it's your time to live out your retirement dreams!

Sounds great, right? But then you realize the amount you've planned to live on each month is not enough because you are helping your adult child out each month financially. You could be helping them out with their mortgage, car loan, student loan, or the emergencies that come up each month; and you realize your retirement dreams will either have to wait or be downsized.

According to Consumer Credit, 31 percent of parents financially support an adult child on a monthly basis.[1] If you find yourself in this situation, it's time to set yourself free of the financial burden and empower your children to stand on their own feet.

Here are some ideas to empower your child:

Set boundaries
Let your child know you love and support them and want them to be able to take care of themselves without relying on you.

- Have a candid conversation about your retirement plans and how your independence is impacted because of the money required to support them.
- Explain that if something major does come up, you will be there for them. Define what those issues are and are not. For instance, compare medical emergencies to their kids' need for new clothes. One you cannot plan for and the other you can.
- For more information, the book, Boundaries: When to Say Yes, How to Say No to Take Control of Your Life by Henry Cloud is a great resource.

Create a game plan
Whether your adult child has just graduated from college or has a family of their own, it is critical to come up with a plan that will enable you to live your retirement dreams and allow your child to achieve financial independence.

- Create a timeline long enough that your child will be able to get their finances under control.
- Help them create a budget that will enable them to live on their current income. If expenses are higher than take-home pay, sit down and work through it by looking at their needs versus wants.

  Budgeting is a great way to know how much money can be spent on items such as groceries, gas, clothing, etc. Once money is used up for the month, they will have to wait until the next month to purchase certain items.

Use personal growing experiences
Transparency can demonstrate to your child where you are financially and why it is important for your child to prosper without relying on you.

- Use examples from your past where you wish you would have made better financial choices. Be sure to include what you learned and how the experience changed you. Your children will see that they too can make it out of a tough financial situation.

Financial conversations can be difficult. Yet, they are crucial to both your financial freedom and your child's financial success!

1. http://www.consumercredit.com/financial-education/infographics/the-cost-of-supporting-adult-children-or-elders.aspx

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

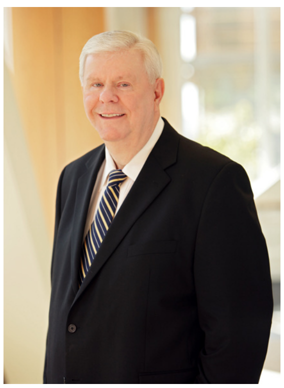
Family Protection
- Term Insurance
- Whole Life Insurance
- Universal Life Insurance
- Variable Universal Life Insurance

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



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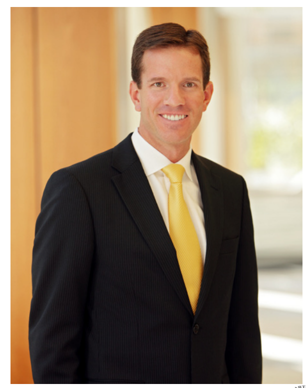

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