

Money Moxie®

What Does Money Mean To You?

Health Care Uncertainty—

Is Your Retirement at Risk?



SMEDLEY FINANCIAL SERVICES, INC.®

www.SmedleyFinancial.com

Finding Stability in a Chaotic World

Dear Valued Clients,

Warren Buffett has said that a good investor is greedy when others are fearful and fearful when others are greedy. According to a recent study, about half of all individual investors surveyed were incorrectly bearish in their market perspective. When 1,000 investors were asked if the S&P 500 was up or down in each of the last three years, 66 percent thought it was down in 2009, 48 percent thought it was down in 2010, and 53 percent thought it was down in 2011. (source: Jeff Benjamin, *Investment News*, 9/18/12)

The reality is that the stock market has been rewarding investors over these years and it looks as though 2012 will also be positive. So, why have investors pulled nearly \$170 billion out of stocks since the recession ended? (source: Jeff Benjamin, *Investment News*, 9/18/12)

Since the Great Recession ended three years ago, we have witnessed revolutions in the Middle East, crisis in Europe, violence in Mexico, economic slowing in China, and political stalemate in the United States. Unemployment is still above 8 percent. Health care costs are still rising faster than inflation and our economic future is still obscured by the Fiscal Cliff.

Each generation in the United States has had to deal with uncertainty and political turmoil, but the economic track record of this nation is good. We have been climbing a wall of worry for decades interrupted, only briefly, with euphoria. So, if doubt creeps in, as an investor it is helpful to remember the words of Mr. Buffet above.

This issue of the Money Moxie will address a few of the issues above. I hope the articles help you plan your financial future. The best way to find peace in a chaotic world is with a little perspective and a solid plan.

James R. Derrick
SFS Vice President and Chief Investment Strategist

Upcoming Events

Managing Health Care Expenses in Retirement



Baby Boomers moving into retirement are faced with many new decisions. Medicare is at the top of the list. Join us for an evening and learn how health care works in retirement and what decisions you need to make now to prepare. Find out what to do to obtain the coverage you need and protect against rising costs.

Join us at 6:00 p.m. on Thursday, October 25th
Hotel Monaco: 15 W 200 S, Salt Lake City, UT

Complimentary valet parking provided at hotel entrance (tipping is optional)
Light refreshments will be served

We think you will find this information valuable and invite you to bring a guest who may be facing these same decisions. Seating will be limited and RSVP is required. Please reserve your seats by calling (800) 748-4788 or visit us online at www.SmedleyFinancial.com and go to the "Contact Us" page.

Webinar: If you are unable to attend in person please join us from the comfort of your home or office for our Retirement Health Care webinar: **Tuesday, October 9th at 10:00 a.m** or **Wednesday, October 11th at 3:00 p.m.**

To reserve your spot and receive required information for attending the webinar. visit us online at www.SmedleyFinancial.com and go to the "Contact Us" page.



Health Care Uncertainty— *Is Your Retirement at Risk?*

By Shala J. Jessop, CFP®

The changing health care landscape has many Americans feeling perplexed about health care during retirement. In fact, a survey conducted by polling pre-retirees and retirees revealed that one of their top two concerns was health care costs.¹ This should not come as a surprise to anyone who is nearing retirement. You have most likely wondered, “How much will I need to pay for health care during retirement?”

Incorporating the unknown cost of health care into your retirement income plan can be tricky. But if sidestepped, the impact can be devastating to your plan and can quickly unravel the income you are striving to protect.

Projecting future health care costs

How much should you plan on spending for health care when you retire? Many will look at their later working years as a guide. In 2009, workers between the ages 45 and 64 spent \$5,511 per person for health care.² A common mistake is using this cost as the basis for your retirement planning.

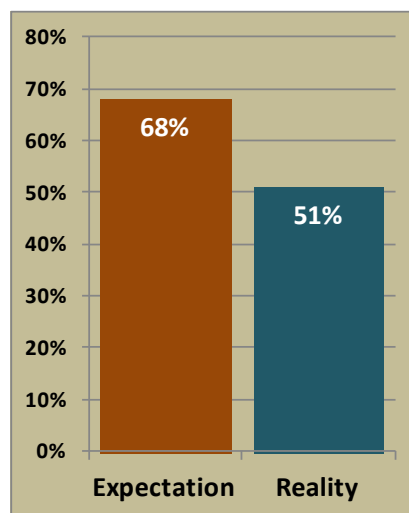
Unfortunately, as we age, our bodies break down. This can mean more visits to the doctor, more prescriptions, and additional medical procedures.

Individuals age 65 and older spend an average of \$9,744 on health care. This is 76 percent more and it does not even include health insurance premiums. Using pre-retirement spending as the basis for your health care number may send your plan into a tail spin.

These expenses are expected to rise at an alarming rate. By 2019, per person spending for retirees is projected to increase to \$13,387.

Health Care Financial Reality

What percent of health care costs will Medicare cover?



Survey of Americans with \$250,000 in assets planning to retire by 2020 (“Medicare Misinterpretation,” *Money*, July 2012)

Weighing the extent of Medicare

Health care expenses will become one of your largest expenditures. Medicare will fall short of covering all of your health care needs. In addition to Medicare, you need coverage that works in tandem with Medicare to fill in the gaps. These supplemental plans have been standardized to level the playing field among providers and assist seniors in selecting coverage. There are many plans (Medigap Plans A through N), but each company’s plans provide the same medical coverage. For example, Medigap Plan A coverage is the same regardless of which company you select. However, the premiums and covered providers vary.

Before selecting a supplemental plan, you should understand Medigap policies

and Medicare Advantage plans as well as determine which prescription drug coverage you may need. Even after simplification, the process can be daunting. Our consultants at SFS can help you.

Enrolling in Medicare

Believe it or not, Medicare enrollment is not always automatic. Missing an important enrollment date can cost you a great deal in the form of penalties and higher premiums. In some cases, the higher premiums will be paid for the rest of your life.

Let's break it down. Medicare Part A (Hospital Insurance) is free to most people. If you sign up for Social Security at age 65 or earlier, you are automatically enrolled in Medicare Part A. What if you continue to work or delay Social Security beyond age 65? You are required to enroll yourself in Medicare Part A during the initial enrollment period, which is a 7-month window. The window begins 3 months before you turn 65 and ends 3 months after the month you turn 65. Missing the initial enrollment period may result in your having no hospital coverage.

Medicare Part B (Medical Insurance) is premium-based coverage. Here is where the lifetime penalty applies. If you miss the initial enrollment period, outlined above, you will pay a higher premium forever! In addition,

you may be required to wait to sign up until January 1st – March 31st of the following year and your coverage will not begin until July 1st.

If you didn't sign up because you were currently employed and covered under a group health plan, you are entitled to a special enrollment period (SEP). If you sign up during the SEP, there is usually no late penalty.

Finding good advice

Income planning in retirement is complex and requires sophisticated knowledge. You must detect pitfalls and address the changing dynamics you will face. SFS can help you protect your nest egg by identifying potential risks and guiding you as you make critical decisions.

You've worked hard to get to retirement; doesn't it make sense to have a plan? Let us help. We invite you to call us for a free, no obligation retirement income review (801) 355-8888. Learn more by attending one of our educational Medicare or Social Security seminars. Visit www.SmedleyFinancial.com, click on "Contact Us" and enter your request. SFS

1. "Managing Retirement Risks for the Mid-Market," *The Journal of Financial Planning*, 2009.

2. Kaiser Family Foundation calculations using data from U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditures Panel Survey (MEPS), 2009.

Employee Spotlight: Mikal B. Aune



Mikal joined Smedley Financial in 2006 as a Private Wealth Management Consultant. He works directly with our clients providing wealth management solutions. His background in psychology and human resources, combined with his natural interest in finance, gives him a unique perspective when designing solutions tailored to the complex needs of our clients.

We are pleased to announce that Mikal recently passed the CFP Board Examinations. Mikal earned his Master of Business Administration degree and his Bachelor of Science degree with a double major (Psychology and Spanish) from the University of Utah. He holds a Professional in Human Resource (PHR) designation.

In his spare time, Mikal enjoys spending time outdoors, golfing, and gardening. He enjoys snow skiing and cycling with his lovely wife, Collette. He is also an avid U of U and RSL fan. SFS



Avoiding the Fiscal Cliff

By James R. Derrick Jr., CFA

Over the last 12 months, stocks have been moving upward on a difficult path with breathtaking views of surrounding calamity. Investors are heading toward the “Fiscal Cliff.” A few steps in the wrong direction could take us over the edge. While uncertainty is certain, investors seem optimistic that the cliff can be avoided.

What is the Fiscal Cliff? Last year’s debate over the debt ceiling took this country to the brink as lawmakers looked like they would refuse to pay the bills. The eventual solution was to force spending cuts in 2013. So, if no action is taken by the U.S. Legislature then government spending will drop by roughly \$1 trillion.



In addition, the temporary Bush-era tax cuts are set to expire on January 1, 2013. It comes as no surprise that representatives in Washington D.C. have not yet been able find an acceptable compromise on this front.

This combination of rising taxes and a decrease in spending is referred to as the Fiscal Cliff.

How serious is it? With government spending representing around 25 percent of the economy, inaction would drag down the economy. Making matters worse, income tax rates, payroll tax rates, and even Alternative Minimum Tax (AMT) could all rise.

The consequences of doing nothing would be massive. For example, AMT is an alternative calculation for taxes that requires tax payers to calculate the amount they owe using a second method with fewer deductions and exemptions. Right now, around 4.4 million households pay AMT. If we go over the Fiscal Cliff then over 32 million households will owe an average of \$2,800 more in taxes.

Who can help? These fiscal issues go beyond the mandate given to Federal Reserve Chairman Ben

Bernanke. He has tried just about all his tools to keep this economy growing. Most people agree that congress should act, but there is a battle brewing around how these issues should be resolved.

The current expectation is that representatives will not be willing to do anything prior to Election Day on Tuesday, November 6th. Once the campaigning is over, there should be time for political compromise before the Fiscal Cliff comes on January 1st.

What can be done?

1. Doing nothing and going over the cliff could devastate the economy for years.
2. A one year extension of the status quo is likely. This would avoid the cliff and allow newly elected officials to resolve the issue next year. It would give the economy one more year to improve while also crippling confidence that is necessary for further growth.
3. A compromise may be the best solution, but it will require political leadership and personal sacrifice. In the end, it may be too much to expect from elected officials during the holiday season.

Are there positives for investors? The uncertainty of the Fiscal Cliff, combined with recession in Europe, make the stock market’s positive year-to-date returns look impressive. How is this possible?

Stocks can do well in spite of challenges. In fact, investors call it “climbing a wall of worry.” One possible reason is that investors typically focus 6 to 12 months ahead.

In order, for the rally to continue, there will have to be more good news. It could be more improvement in housing and employment. It could be restored growth in China or Europe. It could be a satisfactory resolution to the Fiscal Cliff. Of course, there are no guarantees. SFS

Research by SFS. Data from Federal Reserve Bank of St. Louis, U.S. Department of Commerce, National Association of Home Builders, and Deutsche Bank. The S&P 500 is an index often used to represent the U.S. stock market. One cannot invest directly in an index. 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 on market and other conditions, and should not be construed as a recommendation of any specific security or investment plan.

Eight Steps to Managing Your Windfall

By Rodney A. Walker, CFP®

Receiving a financial windfall is the kind of problem that everyone hopes to have. While the chances of winning a lottery are remote, getting an inheritance or proceeds from life insurance is a little more common. If managed properly, any one of these could provide not only a permanent boost to your net worth, but also an improvement to the overall well-being of your entire family.

Jajadeesh Gokhale and Laurence Kotlikoff of the Federal Reserve Bank of Cleveland discovered the following information: 92 percent of individuals will not receive an inheritance, and of the 8 percent that will receive some type of inheritance half will only receive \$25,000 or less and the other half will receive an amount greater than \$50,000.

If you are fortunate enough to be a windfall recipient, large or small, how can you make sure it changes your life for the better?

- 1. Don't spend it before you receive it.** You never know what the future will bring.
- 2. Be patient.** Once you have your windfall, it will be tempting to make some major changes. Wait a little while as you consider your goals and develop a plan.
- 3. Seek help.** Normally this step would be last to emphasize the need to come see an SFS wealth consultant. With windfalls, seeking financial advice belongs near the top. We want to help you minimize your taxes, maximize your opportunities, and avoid mistakes.

4. Keep it separate. This money is special. It is most likely coming from someone important to you and your family. Keep it separate by opening a unique account. You will find it a lot easier to manage your windfall if you don't have it sitting in your checking account.


5. Have a plan. Consider your goals and how this money may help make them a reality. If this money came from a loved one, ask yourself how that person might have wanted it used.

6. Be prepared for family and friends

It is not uncommon for family, friends, and even long lost relatives to make unusual requests for money. Be prepared for this. Don't commit any money to anyone until you have had time to analyze the situation. You can choose to avoid them or make them a part of your plan.

7. Spend it wisely. Consider paying debts, adding to your emergency fund, saving for your retirement, and leaving it to your children.

8. Have fun. Take a small percentage of your windfall and enjoy it. Look at creating memories like taking a long-overdue family vacation. Just be careful and stick to your predetermined spending limit. Remember, there is a reason why this step is near the end of the list.

The more you receive, the more important it is to get our help. We can review your situation objectively and help you identify your goals. We can be your sounding board and your financial bodyguard. 

Worried about the economy?

Join Smedley Financial for an economic outlook. Economist Miles Gordon will share his views on the election and other factors that drive the economy.



Tuesday, October 16th at 6:00 p.m.
Hotel Monaco - 15 W 200 S, Salt Lake City, UT

This is a one-time event. Seating will be limited. To reserve your seat call us at (800) 748-4788, visit us at www.SmedleyFinancial.com, or scan the code on the left with your smartphone. Sponsored by: Smedley Financial Services and Fidelity Investments



Never Retire

By Mikal B. Aune

Many baby boomers have retirement staring them in the face and still wonder what it will look like. If your mental picture of retirement has you sitting in a rocking chair, you may want to consider working, in some form, during retirement.

The common misconception is that no companies are hiring older workers. This may be true for a number of companies, especially since the economic downturn we have experienced. However, the norm is changing. In part, this is due to an aging population in developed countries. Some companies just can't find enough qualified workers to fill all of their jobs. More and more companies are hiring older workers with valuable experience, wisdom, and work ethic.

There are several incorrect stereotypes, such as that older workers are slower, their medical insurance will cost more, and they will not stay for the long term. The truth is there are many positives. Just ask BMW about the older workers they have been using in a manufacturing plant.¹

BMW found that the productivity of the older workers was actually higher and there was lower absenteeism. This should not be a surprise.

Those who do not retire are more likely to enjoy working. In addition, many worker with poor health that struggle to work will retire. So, the older workers that are left help create a healthier workforce.

Other reasons that companies hire older workers are that they are honest, responsible, dependable, loyal, focused, organized, and mature.²

Why keep working? You may decide to work for any number of reasons: to keep your mind active, for a little extra cash to take a cruise, or to feel like you are still giving back.

Before you take the big plunge, ask your employer if he/she is open to part-time or contract work. This benefits the employer because he/she doesn't lose your knowledge and it benefits you because you have more time to do what you want.

If you have to work in retirement and plan to work somewhere other than your current company, try to find a company that values older workers.

One manufacturing plant had an average age of 80. Yes, it really is a manufacturing plant. And its productivity was higher than comparably younger manufacturing plants.

You can also look for places that want part-time workers like sporting venues, restaurants, ski resorts, or golf courses. Look for seasonal employers like nurseries or home improvement stores that need more workers in spring.

Whatever your situation is, you may retire from work, but never retire from life. SS

1: http://www.nj.com/business/index.ssf/2012/09/bmw_equips_factory_assembly_li.html.

2: <http://www.entrepreneur.com/article/167500> - 12 reasons to hire older workers.

Your SFS Team

Smedley Financial Services, Inc.® is an independent registered investment advisory firm. We work only for our clients. Our wealth managers have the flexibility to implement our financial plans, retirement plans, and income distribution plans using the investment strategies that work towards each client's needs, risk tolerance, and goals. We are never in a position where we are required to recommend a product we do not believe best serves the needs of our clients. We work with individuals, businesses, and family estates.

Some of the following products and services may be used to implement the plans we create.

Investments

- Managed Accounts
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks
- Bonds
- Non-managed
- Alternative Investments

Annuities

- Fixed
- Variable
- Indexed
- Immediate
- Deferred

Life Insurance

- Term
- Whole Life
- Universal Life
- Variable Universal Life

Long-term Care Insurance

- Traditional
- Hybrid

Health Insurance

- Individual
- Medicare Supplement

Social Security

Strategies & Options

Disability Insurance

- Long-Term
- Short-Term



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