



*“The more you praise and celebrate your life, the more there is in life to celebrate.” – Oprah Winfrey*

### **Big Anniversary** by Sandy

I hit a big anniversary this year- this is my 30<sup>th</sup> year of being a CFP. When I was in my twenties, I knew I wanted to help people with managing their money and investments. When at CSULB, my major was business with minors in finance and investments. I was ready to help clients but quickly discovered that people in their 60s do not trust taking advice from someone the same age as their children or grandchild. I continued my education with an MBA and earning the CFP.

I started as a stockbroker with a firm of two women out of 500 brokers. I patterned my business after a model that embraced large cap value stocks that paid dividends and produced cash flow. In the 80's, you had to submit for a quote on a stock and wait several hours for a price on the ticker. Then you called the client on a landline and asked permission to purchase the stock and then submitted the “buy”. Sometimes it would take two or three days to complete a purchase. At that time, most stockbrokers were selling mutual funds and limited partnerships for high commissions of 5 to 7% and very high expense ratios ongoing. To buy one stock worth \$20,000 would cost about \$300 in commission. It now takes a fraction of a second and cost is under \$10. So much has changed with technology but my love of cash flow from dividends and stocks has not changed. I still love what I do and working with clients.

### **FPA NexGen** by Samantha

I recently went to the Financial Planning Association's NexGen conference at UC Santa Barbara. This conference was different in a few ways; it focused on next generation advisors and it had a lot of small group interaction instead of big general sessions. It was refreshing to be in a group of advisors that are in my age group and see how we are all contributing to the profession. I was able to gain passion and inspiration for how to better serve the current and future clients of Asset Planning.

One of the things I took from the conference is that financial planning isn't something that should wait, but instead it should be a continued journey with your advisor. A person's financial planning journey should begin at the beginning of their career and should be a continued relationship throughout not only one's career, but also their retirement.

### **How to outperform your neighbors** by Erin

The last bear market is nearly a decade behind us, which is hard to believe since the financial news has been so negative all along the market climb. Below you will find Morningstar's recently released *average investor* returns annualized for the past 10 years for each of the major mutual fund asset classes.

US stock: 8.32% per year

Balanced: 5.93% per year

International: 2.95% per year

Taxable Bonds: 3.01% per year

Conversely the *actual* returns in each mutual fund category were anywhere from 0.3 to 1.26% per year higher than the typical investor returns. Our industry calls this the Behavior Gap. No matter how great of an investment portfolio one has, one big behavioral blunder at the wrong time can undo decades of planning and earnings.

Typical blunders are selling when the market is scary (panic mode) and continuously spending beyond

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## ***Umbrella Liability Insurance – Do you have it?*** by Carol

One of the shortcomings I noticed over the past few years in client's financial plans is their lack of excess liability insurance. Personal umbrella insurance is additional liability, designed to pay out when your existing auto and homeowner's/renter's insurance policies are exhausted. Your personal liability insurance should cover your net worth. For example, if your net worth is \$2 million and your existing home and car insurance coverage is \$500,000 then you need \$1.5 million in umbrella insurance. If you are found liable, the court will normally not issue a judgement over what you are worth. The following is a diagram from MSN Money explaining how excess liability insurance works:

### **HOW AN UMBRELLA LIABILITY POLICY WORKS**



You get sued. You settle with the claimant for \$1 million. You pay a \$1,000 deductible for the basic policy involved (auto or homeowner's). That policy pays \$299,000. Your umbrella policy kicks in because the \$300,000 deductible has been met. It pays \$700,000. You pay nothing

umbrella policy and your net worth is over \$1,000,000 please look into adding this coverage in the hope that you will never have to use it and if you do it will save you from a financial catastrophe.

If you own a rental property and do not have the rental property set up in a separate tax id (LLC, etc.) to protect your liability then a less expensive and just as powerful alternative is to have umbrella insurance to protect your liability.

It is fairly easy to add this coverage especially if you have your home and auto insurance with the same insurance provider. But if not, you may be able to get a stand-alone policy. The cost vs. the value is reasonable: \$400/year for \$1.0 million additional liability. The cost depends on the assets (cars, homes, boats) and people (you, children) covered. If you do not have an

## ***How to outperform your neighbors...continued***

a safe withdrawal rate in retirement (which greatly eats away at returns). Inaction can also be a huge behavioral obstacle. Few investors contribute beyond their 401k even though it is easy to set up automatic contributions to IRAs or brokerage accounts. Most concerning is how few Americans know how much is needed for retirement and fail to make an investment plan to meet it. With our busy lives it is so easy to let months turn into years then decades of lost opportunities.

The key to outperforming all your friends and family is 1/3 having a plan; and 2/3 having great behavior especially when our confidence is tested. It is relatively easy for us to come up with well thought out plans for our clients. However, the plan's success has much less to do with how the markets perform over the next several decades and more to do with how great we can behave.

The economy is in full growth mode now but there will come a time when it is the reverse. And, if not upheavals in the markets, there will be personal upheavals that will affect your financial life. I want to remind you that our greatest value added to you as clients is helping navigate your plan in a changing landscape. Remember we are here to be your sounding board.

## ***Market Moves*** by Samantha

This quarter has been a volatile one and the markets have been reacting to any news that comes out regarding North Korea, trade, tariffs, and interest rates. The on again, off again meeting between Trump and North Korea began moving markets early in the quarter when the uncertainty of the meeting was in the air and the volatility has continued with the talk of trade wars.

Last month the Federal Reserve increased interest rates by 0.25% for the second time this year, with another 2 rates hikes likely in the second half of the year. The 10-year treasury yield was close to 3.00% when the announcement was made to increase rates, but has since come down to between 2.8 to 2.9%.

Returns	YTD
	June 2018
60% Equity/40% Fixed	-1.61%
50% Equity/50% Fixed	-1.88%
Barclays US Agg Bond	-2.75%
S&P	1.67%
DOW	-1.81%
iShares (EFA) Foreign	-4.75%