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Reassess Your Portfolio

Now is a good time to thoroughly review your portfolio and make any necessary adjustments. Consider these tips when analyzing your portfolio:

✔ **Take another look at your financial goals.** Recalculate how much you need to save on an annual basis to reach your goals, based on your portfolio's current value and a reasonable rate of return. Be prepared to readjust your goals. For many people, one of the most painful results of the market declines has been the realization that they must now delay retirement to ensure they have an adequate retirement portfolio.

✔ **Set an allocation strategy for the long term.** The most basic investment decision you'll make is how to allocate your portfolio among the various investment categories, such as cash, bonds, and stocks. You want to ensure your portfolio is diversified among a variety of investments, so when one category is declining, hopefully other categories will be increasing or at least not decreasing as much. To decide how to allocate your portfolio, you'll first need to come to terms with your risk tolerance. Factors like your time horizon for investing and return expectations will also impact your decision. Once you've decided on an asset allocation strategy, you'll need to adjust your current portfolio to get it in line with that allocation.

✔ **Thoroughly review each investment in your portfolio and decide whether you should continue to own it.** If you think an investment with a loss won't rebound or will take a long time to do so, sell it and reinvest in others with better prospects. It's a painful thing to do, since most investors have an aversion to selling at a loss. But it's an important step if you want to make sure your portfolio is on track going forward. Also make

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Review Your Portfolio

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sure your remaining investments are all adding diversification benefits to your portfolio. Just because you own a number of investments does not mean your portfolio is properly diversified. Often, investors keep purchasing investments that are similar in nature. That doesn't add much in the way of diversification, while also making the portfolio more difficult to monitor.

Look for investments you'll be comfortable owning for the long term. It's tempting to look for the biggest winners in investments and put your money there. In essence, however, you are chasing yesterday's winners rather than tomorrow's winners. You need to keep in mind that the best performing investment category will change from year to year. A better strategy may be to select a diversified portfolio of investments you'll be comfortable owning for the long term, so you have some money invested in each of the major investment categories.

Use dollar cost averaging to invest. The point of dollar cost averaging is to invest a set amount of money in a certain investment on a periodic basis. When prices are lower, you will purchase more shares than when prices are higher, following half of the investment principle of buy low and sell high. But the most important part of dollar cost averaging is that it forces you to continue investing when you really don't want to invest. In the long run, you will probably be glad you had the discipline to continue investing during any market downturns. *(Keep in mind that dollar cost averaging does not guarantee a profit or protect against losses. Because it involves continual investment regardless of fluctuating prices levels, you should consider your ability to continue investing through periods of low price levels.)*

Pay attention to taxes. Taxes are probably your portfolio's most significant expense. Ordinary income taxes on short-term capital gains and interest income can go as high as 35%, while long-term capital gains and dividends are taxed at rates not exceeding 20% (0% if you are in the 10% or 15% tax bracket). Using strategies that defer income taxes for as long as possible can make a substantial difference in the ultimate size of your portfolio. Some strategies to consider include utilizing tax-deferred investment vehicles (such as 401(k) plans and individual retirement accounts), minimizing portfolio turnover, selling investments with losses to offset gains, and placing assets generating ordinary income or that you want to trade frequently into your tax-deferred accounts.

Review your portfolio at least annually. You can't just adjust your portfolio now and then leave it on autopilot. By reviewing it annually, you'll have an opportunity to make adjustments on an ongoing basis.

If you'd like help getting your portfolio back on track, please call your financial advisor. ❍❍❍

Avoid These 7 IRA and 401(k) Mistakes

Not paying attention to what is going on in your 401(k) and IRA accounts could cause you to miss valuable savings opportunities. Avoid these seven mistakes:

1. Not getting your match. If your employer matches contributions to your 401(k) plans, you should invest at least enough to get that match.

2. Not maximizing your contributions. While you may not be able save up to your 401(k) contribution limits (for most people, that's $18,000 in 2015 plus an additional $6,000 catch-up contribution for those over age 50), you should save as much as you are able.

3. Investing too conservatively. Low returns plus inflation (which averages 3% a year) means that money in supposedly safe investments will actually be worth less over time. To increase your chances of enjoying a secure retirement, you need to take some risk with your savings.

4. Not reviewing your investment allocation regularly. Your investment allocation should change as you age. The investments you selected at age 30 may no longer be appropriate at age 50. As you get older, you can reduce the risk in your portfolio to protect your savings.

5. Missing out on catch-up contributions. Once you turn 50, you can start making catch-up contributions to your 401(k) and IRA. Those who've passed the mid-century mark can make $6,000 in catch-up contributions to a 401(k), 403(b), or 457(b) in 2015. In addition, you can contribute an additional $1,000 to your IRA every year if you're older than 50.

6. Forgetting about old retirement accounts. When you switch jobs, you may leave your 401(k) plan savings behind with your old employer's plan. Consolidating your retirement accounts in one place means everything will be in one place, helping you and your advisor make sure you're on track to achieve your goals.

7. Taking a do-it-yourself approach to planning. Some people may have the knowledge, skill, and emotional fortitude to manage retirement planning on their own. But many more need the help of a financial professional to achieve their retirement goals.

Please call your financial advisor if you'd like to discuss this in more detail. ❍❍❍

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Long-Term-Care Insurance: A Useful Planning Tool

Americans are living longer. Someone who is in their mid-60s today can expect to live well into their 80s. That's great news, but with longer life spans come certain challenges. One is an increasing need for long-term care.

That care doesn't come cheap. The national median daily rate for a private room in a nursing home in 2014 was $240 — $87,600 per year — a price that has increased by an average of more than 4% every year for the past five years (Source: Genworth, 2014). A stay in a long-term-care facility can quickly deplete a retiree's savings and can also put a financial strain on other family members who may step in to cover the cost. Fortunately, there is a solution to the problem of paying for long-term care: long-term-care (LTC) insurance. Yet many Americans don't have, or can't get, this valuable coverage.

How Long-Term-Care Insurance Works

Long-term-care insurance can help to cover the daily costs for people who need help performing certain basic activities of daily living (ADLs) — typically eating, using the bathroom, continence, dressing, bathing, and moving from place to place. Policies typically cover care in a nursing home, assisted-living facility, at home, in a hospice, at an adult daycare center, or in other care facilities.

LTC policies work much like other types of insurance. Once your doctor certifies that you need assistance with at least two ADLs, you should qualify for benefits. Some policies will start paying those benefits immediately, while in other cases, there will be an elimination or waiting period before benefits begin. The amount paid and how long benefits last will depend on the policy's specific terms, and there may be a daily or lifetime cap on the total dollar value of the benefits. Benefits may also be paid out for a lifetime or stop after a certain period, like one or five years.

Why You Need Coverage

The costs of long-term care can be astronomical, and families often discover too late that the resources they thought would be available to pay those expenses aren't there. Many assume that Medicare will pay for care, but that program typically only pays for acute care, not the long-term, skilled nursing care that patients with conditions like Alzheimer's need. At most, Medicare will pay some of the costs for up to 100 days in a skilled nursing facility, but only if certain conditions are met. Medicaid will pay for long-term care, but you need to have virtually no assets before qualifying for benefits.

While the wealthy can often pay for long-term care out-of-pocket, many people may need LTC insurance to fill the gap. Yet despite the need, only about 8 million Americans have purchased this type of coverage according to the American Association for Long-Term-Care Insurance. Why do so few people have long-term-care insurance? Some of it may have to do with simple denial, but one challenge is the cost of the policies themselves.

Why Long-Term-Care Insurance Costs So Much

Many insurers stopped offering long-term-care policies once they were confronted with the high cost of paying out benefits. Those companies that continue to sell policies have raised rates, sometimes by as much as 50%, and tightened underwriting standards, so that people with common conditions like diabetes find it more costly to get a policy. Women are also finding LTC insurance more expensive, since insurers have started charging more for their female customers, as they live longer and are more likely to make claims.

The Solution

People who want to buy long-term-care insurance or who are facing a rate hike on their existing policy do have options. The first and most obvious is to simply bite the bullet and pay for the insurance, despite the increased cost. Another option is to look closely at policy benefits and riders, and if permitted by the policy, make adjustments to lower premiums.

If you're relatively young, buying a policy early can reduce premium costs, though you'll have to factor in the cost of paying premiums over a longer period of time. Another option is to increase your savings rate so that you can afford to pay for long-term care if you need it. Finally, some insurers have started offering hybrid long-term-care policies, which combine features of life and long-term-care insurance. You pay premiums and have the option of advancing the death benefit and using it to pay for long-term care. If you end up not using that feature, your heirs receive the policy's death benefit. However, this type of policy is typically more expensive than a traditional long-term-care insurance policy.

What shouldn't you do when it comes to long-term care? The worst approach is to ignore the possible future need. Please call your financial advisor if you'd like to discuss planning for long-term care.
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6 Signs You Need a Financial Plan

Below are six signs that it may be time for you to get a financial plan.

You're planning (or just had) a big life change. New job. New baby. New house. All of those milestones and more are signs that you should be taking a big-picture look at your finances. Take this opportunity to put your house in order.

You're worried about your finances — and your future. If money worries keep you up at night, a financial plan can help ease your mind. Whether you have immediate worries or are just feeling uneasy about what tomorrow may hold, you can regain control over your life by having a clear direction. Often, goals that seem distant and unachievable become more realistic once you can see the intermediate steps needed.

You're making good money, but you're not sure where it goes. If you want to turn today's income into tomorrow's wealth, you need a financial plan. That way, you'll be able to take the money you're bringing in today and use it to create a secure future for yourself and your family.

You have financial goals, but you're not sure how to make them a reality. Does retirement seem like a distant dream? Do you wish you could upgrade to a bigger home, send your children to college without taking on debt, or start a business? With a financial plan, you'll know what you need to do financially.

You and your spouse are fighting about money. If you and your spouse can't see eye-to-eye on money issues, a financial plan might be part of the solution. Meeting with an objective third party like a financial planner can help you both understand where you stand when it comes to your finances, and then negotiate a path forward that works for both of you.

Your investments and finances are getting so complicated, it's difficult for you to keep track of everything. Many people start out managing their investments and finances on their own. That often works for a time, but as your money and life get more complex, it can be difficult to manage all the details without help. A financial plan will help you identify the best ways to save, find ways to reduce taxes, and protect yourself against risk. With the help of your advisor, you'll be able to understand your total financial picture and take the steps necessary to achieve your goals. ❍❍❍

Eliminate Tax Refunds

Most people are delighted when they find out they're getting a large tax refund. What they fail to realize is that the government is giving them back their own money, which they loaned to the government interest free.

Don't view tax refunds as a forced savings program, since there are better ways to save than through interest-free loans to the government. If you're concerned you would just spend the extra money every paycheck, have that amount automatically transferred to an investment account.

If too much federal tax is being withheld from your paycheck, fill out a new W-4 to determine how many allowances you should claim. Every allowance exempts $4,000 of income from withholding in 2015. Don't confuse allowances with exemptions claimed on your tax return. You can claim additional allowances for items such as itemized deductions that exceed the standard deduction, the child tax credit, and education credits. ❍❍❍

Financial Thoughts

Approximately 60% of adult Americans admit that they do not maintain a budget (Source: *REP.*, January 2015).

As of August 2014, the average credit card debt per U.S. adults was $4,878. The average annual percentage interest rate on a credit card was 13.18% (Source: Federal Reserve Bank of Boston, 2015).

Individuals between the ages of 65 and 74 spend seven hours a day on leisure and sports activities (Source: *Money*, December 2014).

Only 18% of workers are very confident about living well in retirement (Source: *Money*, November 2014).

Approximately 26% of individuals between the ages of 18 and 33 are married today. When baby boomers were the same age, 48% were married (Source: *REP.*, November 2014).

In a recent survey, 82% of workers between the ages of 45 and 74 said that they plan to stay at their current job until they're ready to fully retire from working (Source: *The Wall Street Journal*, October 13, 2014).

In 2012, 19.5% of individuals between the ages of 70 and 74 were still working, compared to 14.0% in 1992 (Source: *The Wall Street Journal*, October 13, 2014). ❍❍❍