RB CAPITAL MANAGEMENT, LLC

986 W. Alluvial, Suite 101
Fresno, CA 93711
(559) 432-6100 • (559) 432-6110 Fax

880 Northwood Blvd., Suite 5
Incline Village, NV 89451
(775) 832-2537

rob@rbcapitalmanagement.com • www.rbcapitalmanagement.com

**ROB BALLAN**
*PORTFOLIO MANAGER*

# THE BULLDOG BULLETIN

2ND QUARTER 2018

## HOW TO SAVE MORE: STEP BY STEP

For many of us, saving money is very difficult. The truth is that most people don't keep careful track of how much they spend and so don't do enough to find ways to save. If that describes you, here's an eight-step program to help you find more savings in your household income.

**STEP 1: CREATE A BUDGET.** Don't think of a budget as a way to scrimp, but as a log that keeps you aware of where your money is going and enables you to manage it better. The key is to keep it organized and in a format that you can return to again and again.

Make a single sheet for each month. Organize it into two sections, one for expenses and the other for income. Divide the expenses section into two parts: the ones you pay out of your checking account and the ones you pay at a cash register. Then create a line for every kind of recurring expense you have from your mortgage or rent, to utilities, phone, and cable, memberships and subscriptions, life insurance, and payments for loans and credit cards.

For out-of-pocket expenses, make estimates in advance and create line items for meals out, personal care like the hairdresser or beauty shop, gas and oil, prescriptions, clothing, and entertainment. In each part, do your best to include everything, but your budget is a living document that you can add to as you remember items.

Devote another column to the net income you expect to receive each month from all sources. Then, subtract your total expenses from your income. If the result is negative, you've discovered a problem. Fixing it, either by spending less or earning more, will bring your spending in line with what you make.

**STEP 2: TRACK YOUR SPENDING.** What you've created in the first step is a master budget. Now, you have to start tracking what you actually

CONTINUED ON PAGE 2

## MYTHS ABOUT COLLEGE PLANNING

The college planning, admission, and financial aid process can seem opaque to both students and their parents. And given all the concerns about rising tuition and confusion about how aid is allotted, it's not surprising that some myths have arisen about the best way to plan for college costs.

**MYTH #1: WE EARN TOO MUCH TO QUALIFY FOR FINANCIAL AID.** Some families with high incomes and a lot of assets may indeed not qualify for need-based financial aid. But chances are, you aren't one of them. By some estimates, only 4% of households have too many assets to qualify for financial aid. The truth is, financial aid formulas are complicated, and if you don't apply, it's hard to predict how much or what type of aid you might get. Filling out the Free Application for Federal Student Aid (FAFSA), as well as any institutional aid forms is almost always worth it.

**MYTH #2: I'LL NEVER BE ABLE TO AFFORD A PRIVATE SCHOOL.** There's no doubt private colleges and universities are expensive, and there's a lot of debate about whether they're worth the cost. But keep in mind that while the sticker price may be high, private schools typically have more money to spend on financial aid than their public counterparts. And if a student is exceptionally talented, a private school may offer generous financial aid to encourage them to attend. If your child is considering private

CONTINUED ON PAGE 3



FR2018-0221-0003

## How to Save More

*Continued from page 1*

spend. That's not too hard when it comes to making payments out of your checking account. The challenge comes when you pay for things at a cash register, whether you use cash or a card.

Keep all your receipts and make a daily record of any expenses for which you don't receive a receipt. Then once a week, enter what you actually spent into your budget. Look at how your actual spending affects the balance between your expenses and total income for the rest of the month.

**Step 3: Set a savings goal.** As you make your master budget, you need to think about a goal for the extra savings you want to achieve. Enter that amount as a line item in your column of recurring monthly expenses.

**Step 4: Make savings automatic.** The key to actually saving what you intend to save is to make the transfer from your paycheck automatically. It's best to do one of three things: increase the amount that you contribute to a workplace savings plan by payroll deduction, authorize a deduction every month from your checking account, or write and deposit a check into your saving account as soon as you get paid.

**Step 5: Cut down on discretionary spending.** The places you'll find savings are on items you can really do without. These range from snacks at vending machines to meals out, movies, shows and concerts, premium TV channels, expensive smart phone data plans, and even vacations. It can be difficult at first to say no to yourself, but with practice it gets easier, especially when you see your savings balances start to grow faster.

**Step 6: Review your big-ticket finances — mortgage and car loans/leases.** You can find your biggest savings by carefully reviewing your biggest expenses. With mortgage rates near record lows, refinancing could save you hundreds of dollars a month. If you're leasing a luxury vehicle, consider going down a notch or two when it expires, or buy a recent-year used car — you'll save thousands on depreciation and could lower your monthly spending significantly.

**Step 7: Avoid late payment penalties and overdraft fees.** Pay all your bills on time so you'll avoid being charged costly late fees, and keep your checkbook up to date to avoid overdraft charges.

**Step 8: Buy only with cash.** As much as possible, make your purchases with cash instead of using high-interest credit cards. The idea is to force yourself to postpone impulse purchases that increase your balance and rack up interest charges.

It's always better to err on the side of saving too much than too little. Gauging just how much you really need to save, however, is more a matter of art than science, so please call if you would like to discuss this in more detail.

## How Much Can You Withdraw during Retirement?

It's easy to think more about how much you need to save before retirement than how much you should plan on withdrawing during retirement. But you will have to figure out what your year-to-year finances will look like in retirement.

Your life expectancy is not a known variable. It's difficult to think about and can feel a bit morbid, but it's a good idea to consider your own health and that of close relatives who have passed away as a starting point. It is a far better situation to have worked longer and have more in savings than necessary than to run out of money because you surpass your expected longevity. It is very difficult and sometimes impossible to return to work in your 80s, when physical health is not a given and technology has moved ever-forward.

The general rule of thumb is not to exceed a 4% withdrawal in your first year of retirement. Of course, you may have no choice but to withdraw more funds. In reality, many of the factors that determine the rate of withdrawal are difficult to predict and generally fall into an "as necessary" rather than "most ideal" camp. However, the 4% rule is a safe, conservative estimate based on a 30-year retirement expectation that gets you about $40,000 per year if you've amassed $1 million in your portfolio.

There are additional factors to keep in mind when determining how much to withdraw. One is your actual rate of return versus what was expected based on long-term averages, and another is actual inflation compared to expected inflation. Both factors could impact how much purchasing power your portfolio really has and may require you to adjust your withdrawal percentage accordingly. Keeping stocks as a significant portion of your portfolio will help it grow and combat potentially rising inflation rates.

The best thing you can do to make sure that you do not withdraw too much is to work at a part-time job as long as you can. Whatever income you bring in from that job offsets what you would have to take out of your savings. By continuing to have an income and keeping an eye on return rates and inflation (and adjusting your calculations), you will be in a better situation to determine your best withdrawal rate in the long term.

Please call if you'd like to discuss this in more detail.

## Myths

*Continued from page 1*

schools, do research on the net price, not the sticker price, to get a sense of what it might really cost to attend. You should be able to find calculators to help make these estimates on schools' websites.

**Myth #3: It is better to borrow money from my retirement accounts than to take out student loans.** Borrowing money from your 401(k) or other retirement accounts to pay for college is rarely a good idea. Unless you've oversaved for retirement (and few people have), you're going to need that money when you stop working. Pausing your contributions or drawing down your balance will set you back significantly. While you don't want to overburden your kids with debt, a small amount in student loans may give them skin in the game, so to speak — modest student loan debt at a low interest rate won't jeopardize your child's future. And by keeping your retirement savings safe, you'll be less likely to have to turn to your children for financial help in the future.

**Myth #4: I'm not sure my child will attend a four-year college, so I shouldn't bother with a 529 plan.** The funds you put in a 529 plan can be used for qualified expenses at a wide variety of schools, including community colleges and accredited trade and vocational schools. You can even use the money at some foreign schools. Plus, if your child ends up not needing the money, you can name a new beneficiary for the funds, like another child, your brother or sister, a niece or nephew — even yourself. In the worst-case scenario, you simply use the money for noncollege expenses, though that comes with a penalty. But whatever you do, don't let the chance that your child won't attend school stop you from saving.

**Myth #5: My child is a genius or great athlete who will get a scholarship, so I don't need to save.** Scholarships are a great way to help for college, and more than $3 billion in gift aid for education is awarded to students every year. That sounds like a lot, and it is. But unless your child is a true phenom, you can't be sure he'll get a piece of that pie — or if he does, how much. Plus, you really should start saving for college when your children are very young, well before you have any idea of whether they're a math genius or a football star.

**Myth #6: We should put all the money we save for college in a 529 plan.** Not necessarily. A 529 plan has many advantages, like tax-free withdrawals for educational expenses. But you may want to diversify your savings. If your son or daughter does get a scholarship, drops out, or doesn't attend college, you can use those other savings however you want without paying a penalty (unlike a 529 plan).

**Myth #7: I should put college savings in my children's names.** It certainly seems like it might be a good idea to keep your child's college savings in his own name. But that's not always a good idea. For one, college financial aid formulas generally view 20% of a student's total assets as being available to pay for education every year, compared to just 5.6% of a parent's assets. More assets in their name could translate into less financial aid for your child. Plus once your child turns 18, that money is his/hers to do with as he/she wishes (unless it's money held in a trust with restrictions on its use). And not all young adults will have the wisdom to use that money wisely.

Want to take steps to avoid getting caught by these college planning myths? Please call to discuss college planning in more detail. ❍❍❍

## When Adult Children Return Home

Once your child has graduated from college, don't assume your financial responsibilities are over. Adult children return home for a variety of reasons — they can't find a job, they have too much debt to afford living alone, or they have divorced and need financial support. Use the situation to help reinforce basic financial concepts:

- **Set a time frame.** Don't let your child move in for an open-ended time period. Financial goals should be set and followed so your child is working toward financial independence and living on his/her own.
- **Charge rent.** There are increased costs when your child returns home — additional food, phone bills, utilities, etc. Although you don't have to impose a market rental rate, you should charge something. If you're uncomfortable taking money from your child, put the rent money aside in a separate account and use it to help your child when he/she moves out. Also decide which chores your child is expected to perform.
- **Put your agreement in writing.** While putting everything in writing may seem too businesslike, it gives you an opportunity to clearly spell out your expectations and house rules. This can prevent future misunderstandings. ❍❍❍

## Financial Data

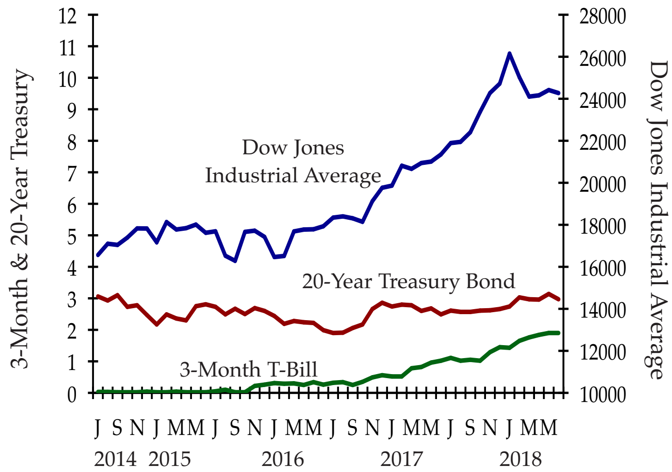
| Indicator | Apr-18 | May-18 | Jun-18 | Dec-17 | Jun-17 |
|---|---|---|---|---|---|
| | Month-end | | | | |
| Prime rate | 4.75 | 4.75 | 5.00 | 4.50 | 4.25 |
| Money market rate | 0.41 | 0.47 | 0.52 | 0.33 | 0.33 |
| 3-month T-bill yield | 1.84 | 1.90 | 1.90 | 1.45 | 1.02 |
| 20-year T-bond yield | 2.96 | 3.14 | 2.97 | 2.66 | 2.49 |
| Dow Jones Corp. | 3.88 | 3.89 | 3.94 | 3.13 | 2.99 |
| 30-year fixed mortgage | 4.19 | 4.21 | 4.52 | 3.51 | 3.49 |
| GDP (adj. annual rate)# | +3.20 | +2.90 | +2.00 | +2.90 | +1.20 |

| Indicator | Month-end | | | % Change | |
|---|---|---|---|---|---|
| | Apr-18 | May-18 | Jun-18 | YTD | 12 Mon. |
| Dow Jones Industrials | 24163.15 | 24415.84 | 24271.41 | -1.8% | 13.7% |
| Standard & Poor's 500 | 2648.05 | 2705.27 | 2718.37 | 1.7% | 12.2% |
| Nasdaq Composite | 7066.27 | 7442.12 | 7510.30 | 8.8% | 22.3% |
| Gold | 1313.20 | 1305.35 | 1250.45 | -3.6% | 0.7% |
| Consumer price index@ | 249.60 | 250.50 | 251.60 | 2.0% | 2.8% |
| Unemployment rate@ | 4.10 | 3.90 | 3.80 | -7.3% | -11.6% |
| Index of leading ind.@ | 108.70 | 109.30 | 109.50 | 2.9% | 6.1% |

# — 3rd, 4th, 1st quarter @ — Mar, Apr, May Sources: *Barron's, Wall Street Journal*

### 4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

July 2014 to June 2018




Past performance is not a guarantee of future results.

# News and Announcements

## Factors to Consider before Switching Jobs

When considering a job switch, it's tempting to just look at the difference in salary between the two positions to make your decision. But before deciding whether to change jobs, you should consider a host of factors, including:

❍ **401(k) plan** — Compare the 401(k) plan features at both employers. How long will you have to wait before you start making contributions to the new plan? What matching contributions does each employer offer? What investment alternatives are available with each plan? 401(k) plans are becoming increasingly important to help fund retirement, so you should thoroughly review each plan.

❍ **Health insurance** — How much of your health insurance premium do you have to pay? How does the coverage compare? What out-of-pocket expenses are you likely to incur with each plan?

❍ **Other fringe benefits** — Thoroughly compare the fringe-benefit package at each employer, looking at vacation, paid time off, life and disability insurance, dental and optical insurance, and other benefits.

❍ **Commuting costs** — How far is each job from your residence? Will there be additional commuting costs involved, including gasoline, parking fees, and wear and tear on your automobile? Will you have to spend additional time commuting, keeping you away from your family longer?

❍ **Other costs** — How do you have to dress at each job? Will you need to purchase new or more expensive clothing? Will you have to go out to lunch more frequently?

❍ **Advancement opportunities** — While this is difficult to quantify, what are the advancement possibilities at each job? You might want to stick with a lower-paying job if in the long run, you have better advancement opportunities. ❍❍❍ FR2018-0221-0003