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The Bulldog Bulletin

3rd Quarter 2018

Squeezed by Competing Needs

At a time when baby boomer couples should be saving for their own retirements, many feel squeezed by competing financial needs. Having started families later than past generations, their children may just now be entering college or still living at home. At the same time, aging parents may need financial assistance. It is a dilemma that is likely to become more common.

Caring for Parents

As life expectancies continue to rise, it becomes increasingly likely that you may need to help an aging parent. Some financial precautions you should consider now include:

- Investigate long-term-care insurance for your parents. If they can't afford the insurance, you may want to purchase it for them.
- Have your parents prepare a listing of their assets, liabilities, and income sources, including the location of important documents. This can save time if you need to take over their finances.
- Make sure your parents have legal documents in place so someone can take over their financial affairs if they become incapacitated.
- Understand the tax laws if you provide financial support to your parents. You may be able to claim them as dependents if you provide more than half of their support. Additionally, you may be able to deduct medical expenses paid on their behalf.
- Find out if your employer offers a flexible spending account for elder care. This may allow you to set aside pretax dollars to pay elder-care expenses.

Assisting Your Children

For many families, college costs are significant. While you may want to pay all college expenses for your children, it may not be feasible. Some strategies to consider include:

- Shift some of the burden to your

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Revisit Your Asset Allocation

You should reassess your asset allocation periodically. To do so, follow these steps:

1. Review your desired asset allocation percentages. When designing your investment strategy, you probably decided what percentage of your portfolio to allocate to different investments. Review those percentages to see if they still make sense for your situation. Over time, how much you want to allocate to different asset classes will probably change as your personal circumstances change. However, don't make significant changes as a result of discomfort over market fluctuations. First, reevaluate these factors:

- **Risk tolerance** — Carefully assess your tolerance for risk so you invest in assets you are comfortable with.
- **Return expectations** — You need to set realistic return expectations for various investments to ensure you meet your investment goals. While past performance is not a guarantee of future results, reviewing historical rates of return can help you assess whether your return expectations are reasonable. Keep in mind that higher returns are generally accompanied by higher risk.
- **Time horizon** — The longer your investment period, the more risk you can typically tolerate. Investing for long periods through different market cycles generally

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Competing Needs

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children, requiring them to work part-time during college or take out student loans.

- Understand the financial aid system, investigating all financial aid sources. Search for scholarships that are not based on need. Apply to several different colleges, looking for the best aid package. Negotiate with your child's preferred college to see if you can increase that financial aid package.
- Look for ways to reduce the costs of college. Your child can start at a community college, which is often cheaper than a four-year university, especially if the child commutes from home. Also consider a public university in your state, which will generally be more affordable than a private university.

Once your child graduates from college, don't assume your financial responsibilities are over. Adult children may return home for a variety of reasons — they can't find a well-paying job, they have too much debt to live alone, or they divorce and need financial support. If your child returns home, realize there are increased costs — additional food, phone bills, utilities, etc. Consider charging rent and imposing a deadline on how long he/she can stay.

Don't Forget Yourself

When faced with the competing needs of children and aging parents, it's easy to neglect your own need to save for retirement. But don't feel guilty about your retirement needs. One of the best gifts you can give your children is the knowledge that you will be financially independent during retirement. Consider the following:

- Calculate how much you need for retirement and how much to save on an annual basis to reach that goal. Don't give up if that amount is beyond what you are able to save now. Start out saving what you can, resolving to significantly increase your savings once your parents' or children's needs have passed. Also consider changing your retirement plans, perhaps delaying your retirement or reducing your financial needs.
- Take advantage of all retirement plans. Enroll in your company's 401(k), 403(b), or other defined-contribution plan as soon as you're eligible. Also consider investing in individual retirement accounts. All provide tax-advantaged ways to save for retirement.
- Reconsider your views about retirement. Instead of a time of total leisure, consider working at a less-stressful job, starting your own business, or turning hobbies into paying jobs.

Please call if you'd like to discuss these issues in more detail. ❍❍❍

Time — Friend or Foe?

Here's when time is your foe: when you have only a couple of years left to work and don't have enough accumulated to retire. And here's when time is on your side: you start saving in your twenties, save every month, and keep saving until you retire. That's when you're putting the power of compounding to work for you.

The sooner you start saving, the less you'll have to put away each month to accumulate the needed funds for retirement. For example, say as a 25-year-old you open an IRA and save $100 a month ($1,200 per year). The IRA earns an average of 6% a year. After 40 years — when you're 65 and ready to retire — your account balance could grow to over $185,000.

But let's say instead, you put off saving until you are 45. At the same rate of saving in an IRA with the same returns, by the time you're 65, your IRA balance would be just about $44,000. Starting when you're 45, you'd have to contribute $420 a month until age 65 to save about $185,000. At least that would be less painful than if you waited until you were 55. Then to match the end result, you'd have to save $1,175 per month. *(These examples are provided for illustrative purposes only and are not intended to project the performance of a specific investment vehicle.)*

One way people often try to compensate for getting a late start in saving is to shoot for a higher rate of return. Instead of settling for the 6% a year we used in the example above, why not go for 10%? But there are two problems with that strategy. The first is that investments don't always provide consistent returns.

Second, to earn higher rates of return, you have to take on more risk. That's fine when the big returns come in; but in the long run, big returns in some years are usually paid for with big losses in others.

Not everyone realizes that time spent not saving can have a significant cost, and there are only so many ways to make up for it. The sooner you start putting more money aside, the better. ❍❍❍

Asset Allocation

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reduces the risk of receiving a lower return than expected, especially with investments that can fluctuate significantly over the short term.

- **Investment preferences** — With such a wide variety of investments to choose from, you should understand the basics of each to decide which are appropriate for you.

In general, you should consider a more conservative allocation if you are older, have short-term needs for your funds, have low earnings, or are uncomfortable with investing. A more aggressive allocation may be appropriate if you have high earnings, are younger, do not need your funds for many years, or are an experienced investor.

2. Determine your portfolio's current allocation. You should consider all your investments, including taxable accounts, individual retirement accounts, and retirement plans at work.

3. Determine how much variation you are willing to tolerate in your asset allocation. It's unlikely that your actual asset allocation will equal your desired asset allocation, due to varying market values and rates of return. Since it is difficult to maintain precise asset allocation percentages, decide how much variation you will tolerate. For example, you may monitor your portfolio more closely if an asset class varies by 5% of your desired allocation and rebalance when it varies by 10%.

4. Decide how to move your portfolio closer to your desired asset allocation. If you have not reassessed your asset allocation for awhile, you may find that significant changes are needed to get your allocation back in line. However, you may not want to make drastic changes all at once. Instead, you may want to take a more gradual approach to shifting your asset allocation. For instance, you can make new investments in assets that are underweighted in your portfolio. Periodic interest, dividends, or capital gains distributions can be redirected to other asset classes rather than reinvested in the same asset. Any withdrawals can come from overweighted asset classes.

Please call if you'd like help evaluating your asset allocation. ❍❍❍

Should You Defer Income Taxes?

Should you pay income taxes now so you can withdraw funds after retirement tax free? Or are you better off delaying income taxes until after retirement? This is a basic decision when choosing between a traditional deductible individual retirement account (IRA) or a Roth IRA or between a 401(k) plan or a Roth 401(k) plan. With the Roth options, you are paying taxes now so you can take qualified distributions income-tax free. With the traditional IRA and 401(k) plan, you are delaying taxes until distributions are taken.

The standard advice is to consider whether your tax bracket will be higher or lower in retirement. If you are likely to be in a higher tax bracket, you'll usually benefit from the Roth options because you will be paying taxes at a lower rate now. If you're likely to be in a lower tax bracket, you may benefit more from a traditional IRA and 401(k) plan, because you'll pay taxes at a lower rate after retirement.

Most people naturally assume their tax rate will be lower in retirement since their income will typically be lower. That assumes income tax rates will stay constant over that time period, even though they are at historically low levels. No one knows how those rates will be adjusted by Congress over the years. However, many believe income tax rates have nowhere to go but up.

Thus, it may be prudent to use tax diversification for your portfolio. This strategy attempts to protect your portfolio against tax-rate fluctuations. It is a concept similar to asset allocation, in which you protect your portfolio against price fluctuations. With tax diversification, you invest in a number of investment vehicles with different tax ramifications. For instance, you might invest in a Roth IRA, from which qualified distributions can be taken with no tax consequences; a 401(k) plan, saving you taxes now and paying ordinary income taxes on qualified distributions; and taxable accounts, in which capital gains taxes must be paid on sales of appreciated investments. In retirement, you can then monitor your tax situation and withdraw money from assets that make the most sense during any particular year.

Please call if you would like to discuss this in more detail. ❍❍❍

Financial Data

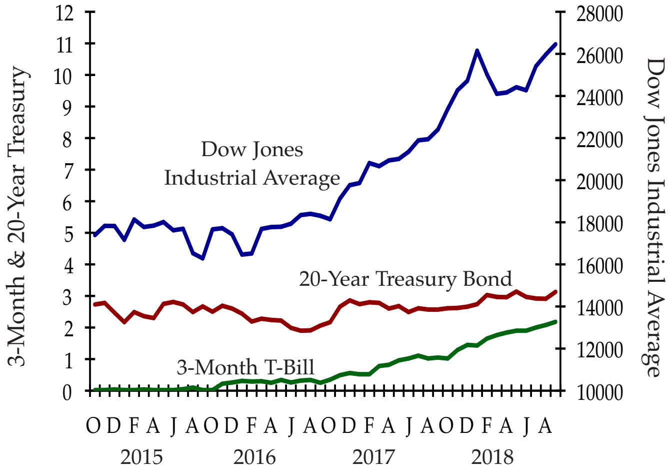
Indicator	Month-end Jul-18	Aug-18	Sep-18	Dec-17	Sep-17
Prime rate	5.00	5.00	5.25	4.50	4.25
Money market rate	0.49	0.45	0.47	0.33	0.27
3-month T-bill yield	2.00	2.08	2.18	1.45	1.05
20-year T-bond yield	2.92	2.91	3.13	2.66	2.57
Dow Jones Corp.	3.93	3.84	4.14	3.13	2.97
30-year fixed mortgage	4.24	4.18	4.74	3.51	3.43
GDP (adj. annual rate)#	+2.90	+2.20	+4.20	+2.90	+3.10

Indicator	Month-end Jul-18	Aug-18	Sep-18	% Change YTD	12 Mon.
Dow Jones Industrials	25415.19	25964.82	26458.31	7.0%	18.1%
Standard & Poor's 500	2816.29	2901.52	2913.98	9.0%	15.7%
Nasdaq Composite	7671.79	8109.54	8046.35	16.6%	23.9%
Gold	1220.95	1202.45	1187.25	-8.4%	-7.5%
Consumer price index@	252.00	252.00	252.15	2.2%	2.7%
Unemployment rate@	4.00	3.90	3.90	-4.9%	-11.4%
Index of leading ind.@	110.00	110.80	111.20	4.5%	6.2%

\# — 4th, 1st, 2nd quarter @ — Jun, Jul, Aug Sources: *Barron's, Wall Street Journal*

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

October 2014 to September 2018



Past performance is not a guarantee of future results.

News and Announcements

Do You Have Too Much Debt?

Various rules of thumb exist to help determine when debt levels are excessive. For instance, one states your total debt payments including your mortgage and credit card bills should not exceed 36% of your gross monthly income. The problem with rules of thumb, however, is they don't take into account your unique circumstances. Look for these signs that your debt level may be getting too high:

- **You have no money left over at the end of the month.** If you have nothing left to save after paying your bills every month, your debt may be too high. Be especially concerned if you have to dip into savings to pay bills.
- **You've reached your maximum credit limit.** If you've maxed out your credit card limits or are considering obtaining new cards for additional credit, your debt may be getting out of hand. Credit cards should be used as a convenience, not to finance an unaffordable lifestyle.
- **You're only making minimum payments.** Minimum payments on credit card debt are so low that it can take decades to pay it off. It will be difficult to get your debt under control if you are only making minimum payments.
- **You don't have an emergency fund.** Ideally, you should set aside three to six months worth of living expenses in case of emergencies, such as a job loss or major home or car repair. If you can't maintain that due to debt payments, your debt level is probably too high.
- **You're not comfortable.** The ultimate test of whether your debt level is too high is your comfort with it and the payments that must be made.

If your debt level is too high, take steps now to get it under control. Please call if you'd like help with your debt. ❍❍❍

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