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

4th Quarter 2016

Your Financial Road Map

Are you making progress toward your financial goals? Are your finances in order? Are you prepared for a financial emergency? If you're not sure, take time to thoroughly assess your finances so you have a road map for your financial life:

Assess Your Financial Situation

Evaluating where you currently stand financially will help you determine how much progress you are making toward your financial goals. There are several items to consider:

- **Your net worth** — Prepare a net worth statement, which basically lists your assets and liabilities, with the difference representing your net worth. Prepared at least annually, it can help you assess how much financial progress you are making. Ideally, your net worth should be growing by several percentage points over inflation.
- **Your spending** — Next, prepare a cash flow statement, detailing your income and expenditures for the past year. Are you happy with the way you spent your income? You may be surprised by the amount spent on nonessential items like dining out, entertainment, clothing, and vacations. This awareness may be enough to change your spending patterns. But more likely, you will need to prepare a budget to help guide your future spending.
- **Your debt** — Debt can be a serious impediment to achieving your financial goals. To assess how burdensome your debt is, divide your monthly debt payments, excluding your mortgage, by your monthly net income. This debt ratio should not exceed 10% to 15% of your net income, with many lenders viewing 20% as the maximum. If you are in the upper limits or are uncomfortable with your debt level, take active steps to reduce your debt or at least lower the interest rates on that debt.

Increase Your Savings

Calculate how much you are saving as a percentage of your income. Is it enough to fund your future financial goals? If not, go back to your spending analysis and look for ways to reduce expenditures. That may mean reassessing your lifestyle choices, since you need to live below your means to find money to save. Commit to saving

Continued on page 2

Risk Tolerance and Your Retirement Portfolio

Risk is always going to be a factor in the stock market. It's one of the things that first attracts many people to trading — the chance to see large gains over time. As we age, however, risk becomes an even more important factor that no responsible investor can afford to overlook. To gain a better understanding of how we're affected by risk when building a retirement portfolio, it's important to learn about risk tolerance and what it means for you as an investor.

What Is Risk Tolerance?

Risk tolerance essentially refers to an investor's ability — both emotionally and financially — to deal with major upswings and downswings in the market. This refers not just to highly volatile stocks, but to stocks themselves, which tend to be riskier than most other forms of investment. If a person is said to have a high risk tolerance, he or she likely

Continued on page 3

FR2016-0812-0205

Your Financial

Continued from page 1

more immediately and then take steps to make that commitment a reality. For instance, you may decide to increase your saving by $25 per week through your 401(k) plan at work. To do that, you may need to forego your daily stop for coffee and a donut, cut back on how often you dine out for dinner, and reduce your monthly clothing allowance. Not sure it's worth that much sacrifice to save $25 a week? After 20 years, that weekly $25 savings could grow to $63,811 at an 8% annual rate of return, before the payment of any income taxes. *(This example is provided for illustrative purposes only and is not intended to project the performance of a specific investment.)*

Rebalance Your Investments

At least annually, thoroughly analyze your investment portfolio:

- ❍ Review each investment in your portfolio, ensuring that it is still appropriate for your situation.
- ❍ Calculate what percentage of your total portfolio each asset type represents, compare this allocation to your target allocation, and then decide if changes are needed.
- ❍ Compare the performance of each component of your portfolio to an appropriate benchmark to identify investments that may need to be changed or monitored more closely.
- ❍ Finally, calculate your overall rate of return and compare it to the return you estimated when setting up your investment program.

If your actual return is less than your targeted return, you may need to increase the amount you are saving, invest in alternatives with higher return potential, or settle for less money in the future.

Prepare for Financial Emergencies

To make sure you and your family are protected in case of an emergency, obtain:

- ❍ A reserve fund covering several months worth of living expenses. The exact amount you'll need depends on your age, health, job outlook, and borrowing capacity.
- ❍ Insurance to cover catastrophes. At a minimum, review your coverage for life, medical, homeowners, auto, disability income, and personal liability insurance. Over time, your insurance needs are likely to change, so you may find yourself with too much or too little insurance.

Review Your Estate Plan

The estate tax laws have been changing substantially over the past few years. Take a fresh look at your estate-planning documents and review them every couple of years. Even if the increases in exemption amounts mean that your estate won't be subject to taxes, there are still reasons to plan your estate. You probably still need a will to provide for the distribution of your estate and to name guardians for minor children. You should also consider a durable power of attorney, which designates someone to control your financial affairs if you become incapacitated, and a health care proxy, which delegates health care decisions to someone else when you are unable to make them.

If you'd like help evaluating your finances, please call. ❍❍❍

Manage Your Home Investment

Your home is an investment, so you should develop strategies to manage it. Some points to consider include:

- ❍ **Don't stretch to purchase the most expensive home you can afford.** The reason homes contribute so significantly to many people's net worth is that you retain any price appreciation on the entire home, even though you only put down 10–20% of the purchase price. That fact causes many people to strain their budgets and purchase the largest home they can afford, hoping the increase in the home's value will more than offset the sacrifices made along the way. Before embarking on such a strategy, consider all the risks. If home prices start to fall, you could end up owing more than the home is worth. Also, should your income decline or you lose your job, you may have difficulty paying the mortgage.
- ❍ **Don't take equity out of your home in the form of a home-equity loan or a higher mortgage balance.** One of the main advantages of home ownership is that it's a forced savings plan, with part of each mortgage payment going toward equity. Resist the urge to use that equity on something else.
- ❍ **Make sure you have adequate insurance.** Your homeowners insurance policy should be sufficient to completely rebuild and refurnish your home in the event of a total disaster. Check the limits of your policy every year and increase those limits if needed.
- ❍ **Inventory everything in your home.** You can either write or videotape the inventory. Keep receipts for larger items with the inventory. The inventory and receipts will help substantiate a claim in the event your home and contents are destroyed. ❍❍❍

FR2016-0812-0205

Risk Tolerance

Continued from page 1

tends not to worry so much about the potential risk of certain stocks or having a large amount of stocks in his/her portfolio.

Those with low risk tolerance are on the other end of spectrum, often too cautious to deal with volatile stocks or the market in general.

Risk Tolerance and Age

While plenty of factors must be taken into consideration when considering your own risk tolerance (including personality traits), age is one that can be seen as an important anchor to help risk-takers avoid getting in over their heads. This is especially true of those who are working toward building an effective retirement plan. When people are young, it makes more sense to take risks with investments than when they reach retirement age.

The important thing to recognize here is that risk tolerance *must* shift with age to avoid making costly mistakes at a time when it may be potentially too late to recover.

Adjusting Risk Tolerance

It may seem as if adjusting risk tolerance is challenging, and for some people it certainly can be. That being said, often it simply means taking a realistic approach to your investments. If you're nearing 60, for example, it's generally considered unwise for your portfolio to be comprised of 70% stocks — the number should be closer to 40%. Many successful investors find that moving away from stocks toward bonds is an effective later-in-life strategy, which again will require you to adjust your risk tolerance.

Once you have a general percentage figured out, take a moment to determine how many stocks will actually make up that portion of your portfolio. This can vary significantly in terms of personal preference, but often 10 stocks are mentioned as a reasonable number to hold in your portfolio. Keeping your stock investments to 10 or less allows you to pay closer attention to what's actually happening with your investments.

The Importance of Working with a Financial Advisor

The best way to get a better sense of what is a realistic risk tolerance for you to have at this point in life is to work closely with your financial advisor. Please call if you'd like to discuss this in more detail. ❍❍❍

Overcoming 5 Retirement Fears

We've all heard stories about people losing all of their retirement money in a stock market crash, outliving their money, or incurring unexpected medical expenses that force 80-year-olds back into the workforce. Are these fears likely to become realities? Probably not, but here's how you can deal.

1. Outliving your money — There's a rule of thumb to decrease the odds of outliving your money over a 25-year retirement: by the time you're ready to retire, you should have saved eight times your annual salary. Of course, the amount of money you'll need to have saved by the time you're ready to retire depends on a huge range of factors: What are your plans for retirement? How old are you? Will you still have a mortgage? Do you have long-term-care insurance? So to truly decrease the odds that you'll outlive your money, work with a financial advisor to develop a robust retirement plan.

2. High inflation — What if inflation went up to 12–14% as it did in the 1970s? It's probably not likely inflation would spike like that again, but you want to be prepared. This is where an annual review of your investments can be wise. That is the point of diversification: if you are properly diversified, your portfolio should include investments that move opposite of each other.

3. Unexpected medical expenses before retirement — Unexpected medical expenses that you may incur while you are still working could totally derail your retirement. To prepare for them, it's important to have insurance in place, such as disability and life insurance. Disability insurance will ensure that if you do lose your income due to a disability, you will still be able to take care of your basic necessities. Life insurance will protect your family in the event of your death.

4. Unexpected medical expenses during retirement — For most people, health care is one of the largest (often *the* largest) expense incurred during retirement. There are a few ways to prepare for medical emergencies: private health insurance to fill the gaps in Medicare, long-term-care insurance, and rainy day savings. For today's retirees, Medicare takes care of most medical expenses, however, you need savings to cover what insurance won't — like copays and expenses exceeding your insurance limit. And just as you save before retirement for unexpected expenses, so should you continue your rainy day fund in retirement; even if you are adequately insured, copays can be significant if you have a medical emergency.

5. Market crash — As with high inflation, the key to surviving a market crash is diversification. (There is no way to insulate yourself completely from the effects of economic turmoil. But you can take steps to ensure that turmoil doesn't completely ruin your retirement plans.) As you get closer to retirement, you should be invested less heavily in equities and more in investments such as bonds. ❍❍❍

FINANCIAL DATA

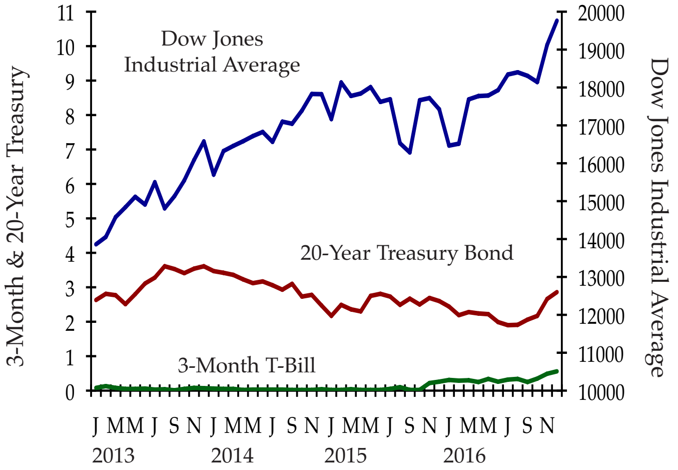
Indicator	Oct-16	Nov-16	Dec-16	Dec-15	Dec-14
	Month-end				
Prime rate	3.50	3.50	3.75	3.50	3.25
Money market rate	0.27	0.29	0.29	0.27	0.43
3-month T-bill yield	0.35	0.49	0.56	0.26	0.04
20-year T-bond yield	2.17	2.66	2.86	2.60	2.47
Dow Jones Corp.	2.76	3.16	3.17	3.43	3.08
30-year fixed mortgage	3.05	3.65	3.68	3.58	3.47
GDP (adj. annual rate)#	+0.80	+1.40	+3.50	+1.40	+2.20

Indicator	Oct-16	Nov-16	Dec-16	2016	2015
	Month-end			% Change	
Dow Jones Industrials	18142.42	19123.58	19762.60	13.4%	-2.2%
Standard & Poor's 500	2126.15	2198.81	2238.83	9.5%	-0.7%
Nasdaq Composite	5189.13	5323.68	5383.12	7.5%	5.7%
Gold	1272.00	1178.10	1159.10	9.1%	-11.4%
Consumer price index@	241.40	241.70	241.40	1.7%	0.5%
Unemployment rate@	5.00	4.90	4.60	-8.0%	-13.8%
Index of leading ind.@	124.40	124.60	124.60	0.6%	2.8%

— 1st, 2nd, 3rd quarter @ — Sep, Oct, Nov Sources: *Barron's, Wall Street Journal*

4-YEAR SUMMARY OF DOW JONES INDUSTRIAL AVERAGE, 3-MONTH T-BILL & 20-YEAR TREASURY BOND YIELD

JANUARY 2013 TO DECEMBER 2016



Past performance is not a guarantee of future results.

NEWS AND ANNOUNCEMENTS

DEALING WITH A SPOUSE'S CREDIT ISSUES

Combining your finances with your spouse's may also include combining your credit histories. When you apply jointly for credit, both your credit histories will be evaluated. Thus, if one of you has an outstanding credit history and the other has credit problems, it can affect the approval process and the cost of your debt. Some tips to consider when one spouse has a poor credit history include:

❍ **DON'T APPLY FOR JOINT CREDIT.** If your spouse's credit history is very bad, it may pay to leave him/her off the credit application. However, that means your spouse's income won't be considered.

❍ **ASK A PARENT OR RELATIVE TO COSIGN A MAJOR LOAN, SUCH AS A MORTGAGE.** Before asking, keep in mind that you are asking that person to take responsibility for the entire loan. If you default, the lender can come after your cosigner. Or, if you are late making payments, that will be reflected on the cosigner's credit history also.

❍ **INSTEAD OF APPLYING FOR JOINT CREDIT CARDS, LIST YOUR SPOUSE AS AN AUTHORIZED USER OF YOUR CARDS.** While an authorized user can charge on your credit card, you are responsible for paying the bills. If the account is paid promptly, it will be reported on both credit histories, helping to improve your spouse's credit history. However, if you make delinquent payments, only your credit history suffers, since your spouse can ask to be removed from the card and have the negative information removed from his/her credit history.

❍ **USE OTHER STRATEGIES TO IMPROVE YOUR SPOUSE'S CREDIT HISTORY.** Ensure that your spouse makes all payments on a timely basis. Try to pay down as many of his/her credit balances as possible. If your spouse has difficulty obtaining credit, have him/her apply for a secured credit card. ❍❍❍

FR2016-0812-0205