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ASSOCIATES, INC.

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Managing YOUR Money

STAN'S WORLD

I recognized the voice long before I saw the face. It was a voice I heard almost every weekday morning for ten years. It was a voice I vividly recalled from our early morning discussions when I walked into the post office to retrieve the mail.

I quickly turned to greet an old friend. "Bob" had retired, so his days of coming to the Westfield Post Office had come to an end. His retirement had changed my morning dynamic, as our daily, brief discussion on sports, politics, and all else was something I anticipated and enjoyed.

About two years ago, Bob told me of his interest to retire, so a number of our discussions had focused on that topic. My opinions on retirement are very strong, so talking to Bob as if he were a client was normal for me.

Thus, I was saddened when the first words out of Bob's mouth were: "Stan, you were right. You were right. I wake up every day with no purpose and nothing to do. I look to God for guidance every morning, but he has yet to show me the way."

It had been almost a year and a half since I last saw Bob, so I tried to turn the conversation towards his family. But he quickly returned to the problem that gnaws at him every morning: What am I supposed to do with myself today?

If you're near or in retirement, you may have heard me give you the 'talk', or been asked by me about your post-employment plans. It's very normal for John and me to hear the same refrain in response to the question: "What are you going to do when you retire?" (The typical answer: "I'm not going to work.")

Knowing what you're not going to do is not the same as knowing what you're going to do. While some retirees have their post-work life mapped out and don't need any help from us, there are far more who assume (sometimes wrongly) that they'll figure it as they go along. You might, but what if you don't?

*BusinessWeek*¹ published an article titled: "Me, Retire?" In it, they note that "...a retirement that occurs just once and continues for the rest of one's life is becoming the exception." Further, "Some 40 percent of Americans age 65 and older who are currently employed were retired at some time in the past..."



STAN'S WORLD (CONT'D)

"(M)ore affluent retirees are rejoining the labor force because they enjoy the challenge and camaraderie of work," disproving the notion that retirees who rejoin the workforce do so for financial reasons. In fact, the number of those age 65 and older who hold full-time positions has risen from 12% in 2000 to 20% today.

As for Bob, I had a few random thoughts, but seeking purpose in one's daily life requires far more than can be expressed during a five-minute conversation. I didn't suggest that he find full-time employment because retirees can sometimes hit glass ceilings (due to their age), thus leading to even more frustration.

John and I can help to frame the conversation, but as Bob found out (the hard way), trying to figure out what to do next can be a very complicated question to answer. Just because someone decides he doesn't have to work, doesn't always make not working the right answer.

HOW MY FAMILY PREPARED FOR THE UNTHINKABLE

By: John Zeltmann

My parents' estate planning attorney looked at me in disbelief: "Did you just say 'dry run'?"

My father had passed away ten days ago. My Mom, Sister, Aunt and I were sitting in a meeting room in the attorney's office, reviewing my Dad's will and the immediate steps that had to be taken. Everyone was still in a bit of shock, reeling from the last few weeks. We had months to grapple with the prospect of life without Dad, but once he was gone, it still felt all too sudden.

But at that moment, we shared a wonderful laugh.

BY THE NUMBERS⁴

- Since 1950, there have been 59 different 10-year periods (i.e., the 10-years from 1950-59, 1951-60, 1952-61, . . . 2008-2017). The **S&P 500 index produced an average annual total return** of less than +7% during 15 of the 59 decade-long periods (25% of the time). 19 of the 59 periods (32% of the time) resulted in an average annual total return of at least +14%.
- During those 59 different 10-year periods, the S&P 500 has produced a **positive total return** result in 57 of the 59 decade-long periods (97% of the time), and at least 6% per (total return) in 48 of the 59 periods.
- After closing at 2873 on Friday 1/26/18, it took just 13 days for the S&P 500 to fall 10.2% (to 2581) by the close of trading on Thursday 2/08/18. The **13-day correction** (i.e., a drop of at least 10% for the stock index) was the fastest correction in the last 50 years. The next quickest correction was a 20-day drop that occurred in October 1997.
- There were 1.48 million **existing homes for sale** in the United States as of 12/31/17, a drop of 460,000 in the prior 6 months. The 1.48 million homes for sale is the lowest level reported for a statistic that has been tracked since 1999.
- Only 37% of all jobs in the United States require education beyond **high school**.



HOW MY FAMILY PREPARED FOR THE UNTHINKABLE (CONT'D)

"Yes, a dry run," I said smiling. "It was his idea." When my Dad was first diagnosed with leukemia a little less than a year ago, he was bound and determined to beat the disease. Being the pragmatist that he was, however, he also wanted to make sure my Mom, Sister, and I were clear on the intentions outlined in his will should he lose the fight.

Shortly after his diagnosis, he and my Mom made good on this goal by asking my Sister and me to come to their home one Saturday morning to review the estate plan they had in place in the event my Dad was the first to die. Gathered around the same kitchen table we ate dinners at 20 years earlier, we conducted what my Dad described as a "dry run." Should he not be here tomorrow, what do we do? Whom do we call? What is supposed to happen and when? If he's incapacitated, who serves as his healthcare proxy in the event my Mom is unable to do so? What lifesaving measures did he want to be taken if needed? Who has power of attorney over his assets in the event he can't act on his behalf when a financial matter comes up?

I've been down similar roads with clients who were dealing with or preparing for the death of a loved one - but the stakes were obviously different this time. The experience was awkward. Though uncomfortable, the meeting was invaluable in not only educating each member of our family on how best to implement my Dad's wishes but also making sure we were all on the same page regarding how (and equally as importantly, why) the will was intended to function. The conversation gave us the opportunity to get comfortable (as much as possible) with a very uncomfortable topic.

BY THE NUMBERS⁴

- Our nation's **unemployment rate** was 4.1% as of January 2018. American adults age 25 and up with at least a bachelor's degree from college had just a 2.1% unemployment rate. The lowest national unemployment rate in US history was 2.5% in June 1953.
- The average price of **gasoline** peaked at \$4.11 a gallon on 7/17/08. The average price of gasoline was last above \$3 a gallon on 10/31/14.
- Since rising by +6.1% in 1990, **inflation** (as measured by the Consumer Price Index) has averaged just +2.3% per year and has been as high as +4% in only 1 year (2007) over the last 27 years.
- **Life expectancy** at birth in the USA was 51.7 years in 1916. Life expectancy at birth was 78.6 years in 2016. Thus, life expectancy has increased by 10 years every 37 years.
- The USA has kept records on **economic expansions** and contractions since 1854. The current expansion, which began in July 2009, is in its 105th month. It is the 3rd longest expansion in history, trailing only expansions that ran from 1991-2001 and from 1961-69.
- American **banks repossessed** 292,000 homes in 2017, 379,000 homes in 2016 and 450,000 homes in 2015.



HOW MY FAMILY PREPARED FOR THE UNTHINKABLE (CONT'D)

I share this very personal (and very recent) experience hoping you might be prompted to ask yourself three questions:

- **Is your estate plan up to do date?** Many variables can impact the relevance of an estate plan, including changing estate tax laws (of which there have been many over the past several years), the birth of children or grandchildren, the transition from employment to retirement, and the death of a spouse. Consider scheduling some time with your estate planning attorney to see if a tune up is necessary. (Spoiler alert: unless you've updated your documents within the last 3-4 years, you're probably due.)
- **What would your 'dry run' look like?** Who would you invite? (If you have teenage children, they're probably still too young for this discussion.) Where would you host the discussion? Family dynamics can be tricky, so you should be very thoughtful in how to arrange the meeting. What topics might you cover? (Tip: Prepare an agenda with notes so you spend time discussing all the relevant issues.)
- **Are your loved ones clear on your intentions?** If your estate isn't being divided equally, is it important to you that your heirs understand why not? Might one child feel slighted over another? Additionally, you may be surprised to learn there is a significant divide between what Generations X and Y expect to receive from their Baby Boomer parents and what those parents intend to bequeath. According to a recent study by a money management firm (MFS)², the majority of Gen X and Gen Y respondents expect to receive an inheritance to help with their own retirement. In contrast, less than half of Baby Boomers agreed it's important to leave them one. Like it or not, your heirs may be anticipating a windfall as part of their own retirement plan, and it might be worth a conversation to remind them there are no guarantees.

This is a complicated and emotional topic, and we're here to brainstorm with you on how best to approach it. For my family, the dry run was incredibly valuable, so much so that towards the end of our meeting, my parents' estate planning attorney even said, "Wow, this is the most prepared family I've ever met!" We all took it as a compliment. I know my Dad would have been proud to hear it.



TIPS FROM MONEY MAGAZINE³ ON HOW TO GIVE YOUR HARD-EARNED MONEY TO THE RIGHT CHARITIES

Choose Right

- Don't select a charity based on its name alone, as names can be deceiving. Visit an organization's website to learn about its mission. (Better yet...volunteer!)
- To determine whether or not the charity is carrying out its mission effectively, go to a website like www.charitynavigator.com, which calculates the percentage a charity spends on its mission, as opposed to administration or fund-raising.
- The Center for High Impact Philanthropy, at www.impact.upenn.edu, "publishes an annual guide to causes it believes will do the most social good."
- Select a few charities and make a commitment to give your charitable dollars to them. That will prevent you from giving in to a heart-tugging pitch over the phone or a tear-jerking infomercial. Often, the fund-raisers in those situations collect more in fees than the charities themselves.

Give Right

- GoFundMe pages attract a lot of attention and money. Give to charities you know, or individuals you know, as opposed to following the crowd and just giving because the story is popular. (Crowdfunding sites often charge sizeable fees for each donation.)
- Concentrate your giving. Other than a cause you may want to support through a national organization, try to focus on local charities where you have a better opportunity to not only learn about them, but even volunteer.
- Before donating anything other than money (i.e., clothing to a charity that's working in a region that was ravaged by a hurricane), find out if the charity needs your water, or clothing, or generator. There are countless stories of charities that end up throwing away donations by good-natured people because they had too many cases of water or too much clothing.

BY THE NUMBERS⁴

- 48% of women and 42% of men begin taking their monthly **Social Security** retirement benefits at age 62, the earliest age possible. Just 4% of women and just 2% of men delay taking their Social Security retirement benefits at age 70 or later.
- From 2.44 million **construction workers** nationwide as of 2/28/10, the total is down 70% (to 732,000 workers) as of 2/28/18, but up +314,000 in just the last 4 months.
- 47 of 50 US states prohibit all **text messaging** while driving. Missouri bans only drivers under the age of 22 from texting while driving, while Arizona and Montana have no ban on texting.
- The **United States exported** more goods to Canada in 2017 (\$282.4 billion) than the combined amount that we exported to China (\$130.4 billion), Japan (\$67.7 billion) and the United Kingdom (\$56.3 billion).
- There were 12.6 million **manufacturing jobs** in the United States as of 2/28/18. There were 13.1 million manufacturing jobs in the United States as of 2/28/42 or 76 years ago.
- Only 38% of American retirees are **debt-free** (i.e. 62% of American retirees have outstanding mortgage debt, credit card debt, auto loan debt or student loan debt).



TIPS FROM MONEY MAGAZINE ON HOW TO GIVE YOUR HARD-EARNED MONEY TO THE RIGHT CHARITIES (CONT'D)

The experts quoted in the article also suggested ways to raise charitable children, and they repeated some of the advice that John wrote about in a previous newsletter. A few tips:

- Give out loud: Instead of quietly writing a check, tell your children which non-profits you're supporting.
- Delegate generosity: Let children select a charity for a portion of your money, or with their own. (Try a matching program: give \$1.00 for every quarter they give.)
- Get their hands dirty: It's often hard for children to volunteer in places like a soup kitchen, but they can get involved with a beach cleanup or helping to maintain a hiking trail.

BY THE NUMBERS⁴

- 28% of **student loan** borrowers (by number, not by dollar) default on their student loans.
- American drivers pay federal taxes of 18.4 cents a gallon on **gasoline**, revenue that is used to pay for roads, bridges and mass transit projects in the USA. The gas tax rate was last raised in the USA in 1993 or 25 years ago.



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S.F. Ehrlich Associates, Inc. has been providing financial advice on a fee-only, independent basis for over 20 years.

Managing YOUR Money is compiled entirely by Stanley F Ehrlich and John Zeltmann.

Questions or comments are always welcome (and encouraged!).

Did we mention? If you have a friend or family member who you think might benefit from a discussion with us about financial planning and asset management, please pass along our phone number and email address. Long-term growth is not only crucial to portfolios, it's also critical to a business.

*If you have a friend, co-worker, or relative who's in need of financial advice due to a pending or actual job loss, please give them our contact information. We're always glad to speak **pro bono** with people who need a hand.*

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¹ Hymowitz, Carol. "Me, Retire?" *BusinessWeek*, 2 Oct. 2017.

² Anderson, Jessica L. "The Family Money Talk You Must Have." *Kiplinger's Personal Finance*, Nov. 2013.

³ Renzulli, Kerri Anne. "Give Your Best." *Money*, Dec. 2016.

⁴ "By The Numbers." *Direxion ETFs & Funds*, 12 Feb. 2018 through 5 March 2019.

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