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Managing YOUR Money

STAN'S WORLD

Brunner Opticians has been a landmark in Westfield for more than 75 years. When we first moved to Westfield, I was the proud owner of three pairs of new eyeglasses I couldn't use because the prescription was incorrect in all three. I looked for a local optometrist, found one at Brunner, and made an appointment to see if he could figure out what had gone wrong. He did a thorough eye examination, wondered why my previous prescription was changed, and voila, vision problem corrected.

Obviously, this became my optical facility of choice for eye examinations and eyeglasses, and I've never been disappointed. In fact, I once had a prescription filled - at considerable cost, as any eyeglass wearer can attest - and wasn't completely comfortable with the prescription. The optician explained how they could adjust the lenses to become a combination computer and reading pair of glasses, and offered to redo them at no cost. Though they did nothing wrong, they just wanted to make sure I was completely satisfied.

Cut to a few weeks ago when I returned to Brunner to pick up a pair of sunglasses outfitted with a new prescription. I tried them on and knew right away that something was off. The glasses were returned to the company that Brunner uses for lenses and then sent back to Brunner a second time. It was still wrong. Rather than arguing with me, the Brunner optician spent about 30 minutes verifying why it was wrong, returned it for replacement, and stood by me until it was perfect.

While you may argue that ensuring my prescription is accurate is their job, compare my experience with Brunner to the polar opposite experience I had 11 years ago. The ophthalmologist who sold me those three pairs of glasses - made with his prescription - couldn't figure out why I couldn't use them. When I asked for my money back after countless visits, I was told "no." When I appealed to my credit card company to rescind the payment until the problem was resolved, the ophthalmologist produced fine print so small that I could barely read the line that stated the glasses and lenses were mine without exception. (Of course I had trouble reading the small print; the prescription was wrong!)



STAN'S WORLD (CONT'D)

My recent visit to Brunner resulted in a lively discussion about the lack of personal service and accountability in America. If I had purchased those glasses online, where would I have gone for help? Whom would I have called? Can you imagine having this dialogue with a call center operator? Even the offer of a refund wouldn't help a customer obtain the correct prescription.

In the personal finance field, the analogy to online glasses is the robo-advisor. Similar to eyeglasses, when something goes wrong, who do you call? Financial planning isn't about buying a stock portfolio and then walking away for the next 40 years. Life gets in the way (a lot!), and the operator at the end of the robo-advisor's toll-free number may not know you from, well, the caller he just finished speaking with. Financial planning is personal, and I hope it stays that way for decades to come.

As for Brunner, the two sisters who have owned the place for decades better have a plan in place to keep Brunner Opticians running well into the future.

I'VE ALREADY STARTED COLLECTING SOCIAL SECURITY RETIREMENT BENEFITS. IS IT TOO LATE TO CHANGE COURSE?

By: John Zeltmann

You took the money and ran, didn't you? When it comes to Social Security, most Americans do the same thing. According to the Center for Retirement Research at Boston College¹, as much as 90% of Social Security recipients collect at or before Full Retirement Age with a significant number of people collecting as early as 62.

So does Social Security allow a mulligan? It does, albeit on a fairly limited basis. Let's see if you're eligible.

First, are you over the age of 70? If so, you can stop reading this article - take a break from reading financial advisor blogs and go treat yourself to a nice dinner with your recent Social Security check.

BY THE NUMBERS⁴

- Major **US retailers** closed 6,955 stores nationwide during calendar year 2017, a total greater than the number of closures that occurred in any single year during the global financial crisis that began 10 years ago.
- **Student loan debt**, equal to \$1.38 trillion as of 12/31/17, has doubled in just over 8 years. Student loan debt was \$690 billion as of 9/30/09.
- The **US homeownership percentage** (i.e. "owner" households as a percentage of total households) was 63.4% in 2016, the lowest percentage nationwide since 1965 or 51 years earlier when the rate was just 63.0%. The homeownership percentage rose to 63.9% in 2017.
- **Healthcare spending** makes up 18% of the \$20 trillion US economy, equal to \$11,000 per year for each of our nation's 327 million citizens.
- The average **profit** earned by **builders** of new single-family homes constructed in the USA in 2017 was 10.7% of the home's total sales price. The average single-family home built last year had a total cost of \$428,000, resulting in an average profit of \$46,000..
- The **trucking industry** has a shortage today of approximately 30,000 drivers, a critical factor behind the rising cost of moving freight in the United States. Trucks move 71% of all US freight nationwide.



I'VE ALREADY STARTED COLLECTING SOCIAL SECURITY RETIREMENT BENEFITS. IS IT TOO LATE TO CHANGE COURSE? (CONT'D)

For those still reading, presumably, you're currently collecting and younger than 70. The next question is how long have you been collecting? If you've been collecting for more than 12 months, the only option you have is to suspend collection of your Social Security retirement benefits, provided you're older than Full Retirement Age. Suspending your benefit allows you to collect whatever 8% annual increases remain between your current age and age 70, an obvious advantage if you have the capacity to delay. When pursuing this strategy, keep in mind that any ancillary benefits being paid (e.g., to a spouse or minor child) based on your record will also be suspended.

What if you've been collecting for less than 12 months? You can withdraw your Social Security application as though it was never filed and pay back any retirement benefits collected to date, interest-free.

The current "do-over" strategy offered by Social Security is not as generous as it used to be. Once upon a time (pre-December 2010), Social Security was providing recipients the opportunity to take out what was essentially an interest-free 8-year loan from the Social Security administration. For example, an individual could begin collecting Social Security benefits at age 62 and upon reaching age 70, withdraw his application, pay back all Social Security retirement benefits received to date - interest-free - and resume collection of his Social Security at the maximized level (click here for more on timing of collection of Social Security retirement benefits). The Social Security Administration finally wised up to this loophole, narrowing the window for withdrawal from 8 years to 12 months.

While there isn't as much flexibility to reverse course when it comes to your Social Security collection strategy as there once was, all is not lost. You still have some options available provided you understand how they fit into your specific situation.

BY THE NUMBERS⁴

- As of today (Monday 4/23/18), 0 **banks** in the United States have **failed** YTD and required a bailout from the Federal Deposit Insurance Corporation. As of 4/23/10, 57 banks had failed YTD. Just eight banks failed during all of calendar year 2017.
- As of the end of 2017, there were 120.2 million households in the USA, split 64/36 between **homeowners** (77.2 million) and **renters** (43.0 million). Since the end of 2011 (i.e., six years earlier), the number of homeowners (75.3 million as of 12/31/11) has increased by +1.9 million while the number of renters (38.8 million as of 12/31/11) has increased by +4.2 million.
- The **total return for the S&P 500** over the last 10 years (2008-2017) was a gain of +8.5% per year (total return). If you missed the ten best percentage gain days over the 10 years (10 trading days in total, not 10 days per year), the +8.5% annual gain drops to an annual gain of +1.3%.
- Of the top **50 "percentage gain days"** for the S&P 500 over the last 10 years (2008-2017), only one has occurred in the last six years (2012-2017), i.e., a +3.9% gain (total return) on 8/26/15.
- 71% of American workers have **access to an employee-funded defined contribution plan** (e.g. 401k plan) through their employer.



WHY WE INVEST WITH A LONG-TERM PLANNING HORIZON IN MIND

"I'm not going to live past 80! I know it. My Mother lived to 82, Dad died at 72. Longevity doesn't run in my family. Plus...who wants to live that long anyway?!" I'm sure many of you have either uttered these words yourself or at the very least heard a friend or family member say them. Digging into the underlying data, one might be surprised to see how long people are living these days.

Reviewing the table below², for a 65-year-old couple, there's a 74% chance that at least one of them makes it to age 85 and there's a nearly 50% chance that at least one makes it to age 90.

Many of the choices we help clients make center around life expectancy, including decisions involving life insurance, Social Security, portfolio investment strategy, pension payment options, and many more.

Some may not see the prospect of long life as welcome news. Occasionally clients will cringe when we mention the concept of living until 85 or 90 years old, as we force them to revisit (sometimes not so fond) memories of their loved ones at these ages. However, as your financial advisors, we're here to help you make decisions that hopefully lead to an overall positive experience at this stage of life, whether that means having extra funds to get the care you need or having extra time to play with the grandchildren. The planning decisions you make today can pay significant dividends down the road.

If you're 65 today, the probability of living to a specific age or beyond

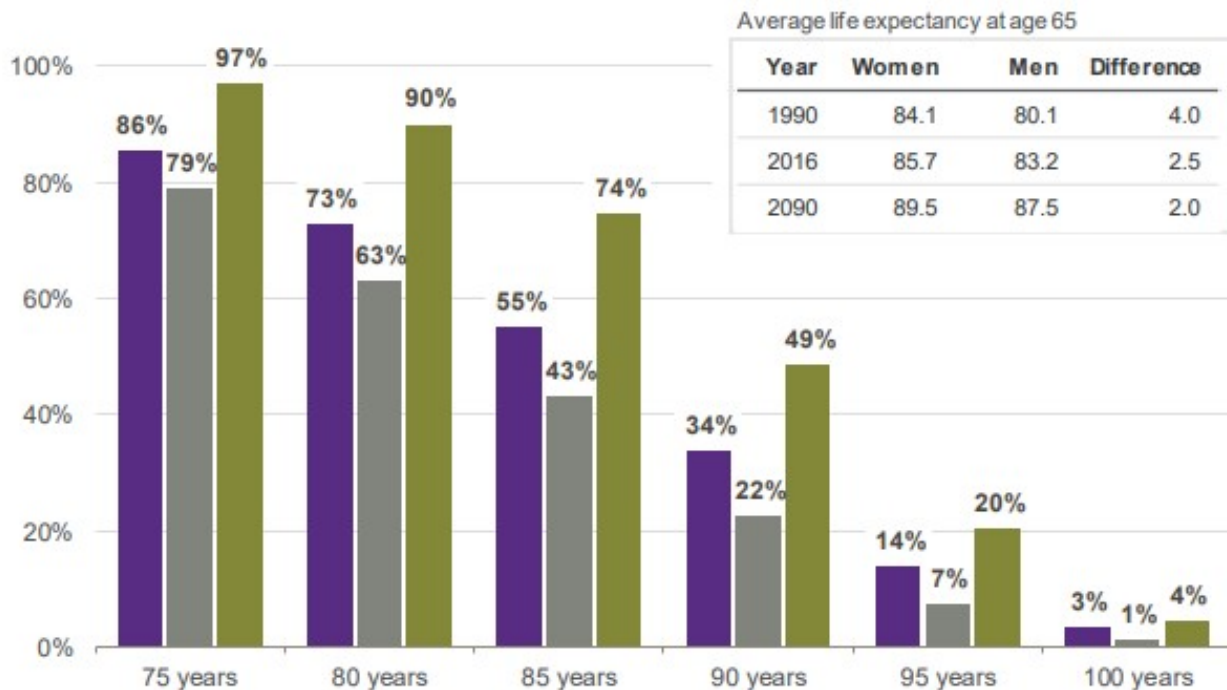


Chart: Social Security Administration, Period Life Table, 2014 (published in 2017), J.P. Morgan Asset Management.

Table: Social Security Administration 2017 OASDI Trustees Report.

Probability at least one member of a same-sex female couple lives to age 90 is 56% and a same-sex male couple is 40%.



APPS THAT CAN HELP SAVE YOU TIME AND MONEY

Here are a few of the apps highlighted by MONEY Magazine³ that may help make life a little easier (and less costly) to navigate:

- **Amazon:** The app allows you to see prices and product information, user reviews, and side-by-side product comparisons.
- **RetailMeNot:** Promotional codes, coupons, and other discounts at 50,000+ restaurants and major retailers.
- **ShopSavvy:** Allows you to inspect merchandise in the store and scan the barcode to compare prices from dozens of online competitors and local stores.
- **Paribus:** "...tracks items you have purchased online but automatically requests refunds if the price drops." No cost for the service, "but Paribus takes a 25% cut of the refunds it receives."
- **Walmart:** "Simply scan (Walmart) store receipts, and the Savings Catcher feature checks whether competitors offer lower prices. If they do, you'll get the difference refunded to you in the form of Walmart credit."
- **Google Translate:** "You can write or even speak words and phrases that the app then translates into more than 100 languages. It even works offline...for more than 52 languages. Bonus: You can take photos with your phone's camera to translate signs and menu options..."
- **Mint:** "Mint allows you to see exactly where your money goes when you link your banking and credit card accounts to it."
- **Zillow Real Estate:** "See the site's Zestimate of a home's worth, check out the listing history, and view photos and, in some cases, a video tour."
- **Houzz:** "Rather than sift through piles of magazines and books for creative inspiration, check out Houzz to search millions of photos from product manufacturers and designers... You click on a photo to see a product's cost, and you may be able to purchase it directly through the app."

BY THE NUMBERS⁴

- When the yield on the **10-year Treasury** note bottomed on 7/08/16 at 1.36%, the average interest rate nationwide on a 30-year fixed rate mortgage was 3.41%. The average interest rate on a 30-year fixed rate mortgage is 4.58% today
- The **best five trading days** for the S&P 500 over the last 10 years (2008-2017) gained +50.6% (total return), more than the +50.1% gained by the other 2,513 trading days in the decade.
- By 2030, i.e., just 12 years from now, 23% of the "on-the-job" hours of Americans **workers** could be **automated** and completed by artificial intelligence and robotics.
- 64% of the 120 million households in the USA are **homeowners**, a total of 77 million households. 34% of the 77 million homeowners (26 million households) are mortgage debt-free.
- **US utilities** generated 4 trillion kilowatt hours (kWh) of electricity in 2017, split between 63% from fossil fuels (split almost equally between natural gas and coal), 20% from nuclear plants and the remaining 17% from renewable sources, e.g., hydropower and wind.
- **Social Security** benefits are taxed by just 13 states (i.e. 37 states do not count monthly Social Security benefits as taxable income at the state level.



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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.*

CLIENTS: Please remember to contact S.F. Ehrlich (a) if there are any changes in your financial situation or investment objectives, (b) if you wish to impose, add or modify any reasonable restrictions to our investment management services, or (c) if you've changed your permanent residence.

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¹ Munnell, Alicia H., and Angi Chen. "Trends in Social Security Claiming." Center for Retirement Research at Boston College, 31 May 2015.

² "Guide to Retirement: 2018 Edition." J.P. Morgan Asset Management, 2018 edition.

³ Leonhardt, Megan, et al. "36 Apps That Will Save You Money." *Money*, May 2017.

⁴ "By The Numbers." Direxion ETFs & Funds, 26 Mar 2018 through 7 May 2018.

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