Summer 2018 Edition

The Ultimate Guide for the Successful Steward

Welcome to the Summer Edition of *The Ultimate Guide For the Successful Steward,* Fourth Dimension Financial Group's newsletter.

If Summer Were Longer Could We Handle It?

Right or wrong, many of us wait all year for summer. We know we shouldn't wish our lives away, but there's just so much fun to pack into the few short summer months! I sometimes wonder, as I'm wishing that summer were longer, would more summer just wear me out?

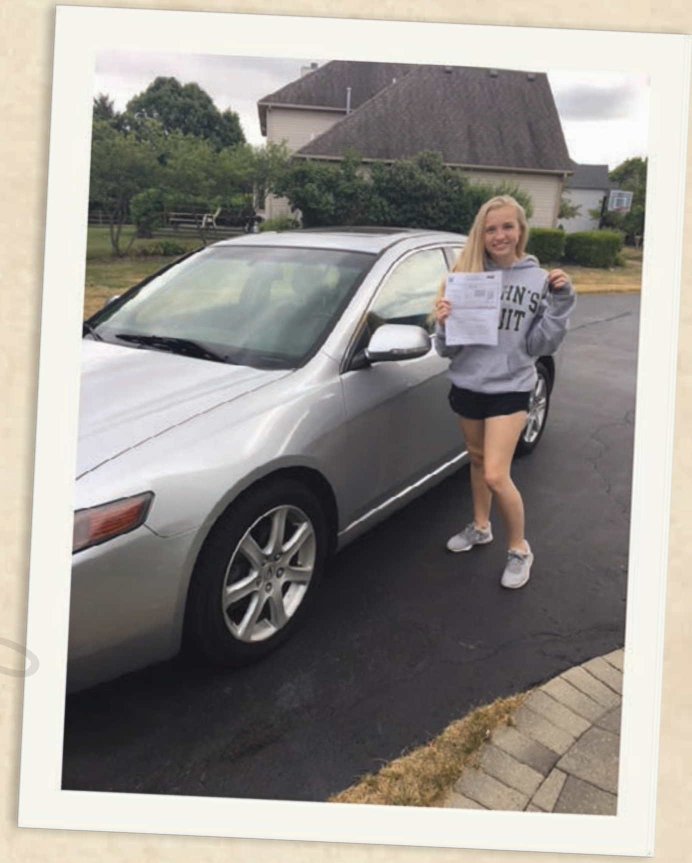
So far this summer we hosted a French girl in our home for three weeks, fostered a dog, four kittens in two separate batches, went to Cedar Point twice, showed our gardens in the Wood County Master Gardeners Garden Tour (well, Carie's gardens), and generally tried to just keep up with all of the activities of having a bigger family. There's been so much activity that I'm already wishing for it to stop!

So as I consider summer, I've experienced that feeling that there really can be too much of a good thing, so we should enjoy summer for what it is and not long for a bigger dose every year.

Financially speaking, the world has been in a bit of a holding pattern. The markets have gone up, then back down, then back up, ultimately creating the sense that nothing much has really happened lately. Maybe that's a necessary respite from all of the political news. Maybe like having a too-long summer, too much economic activity will just wear us down.

In this edition of the Steward, we have wonderful contributions from Richard Chamberlain and Stephen Hanley. Richard does what he should and actually suggests action be taken by those who are yet to formalize their wishes in an estate plan. If this is an unfinished task on your list, please commit to doing what it takes to add it to your 'done list'. Steve has shared with us some really important updates concerning the investing markets; so important that this column is longer than is typical. I really hope you'll take a moment to read it and consider what may be coming. In Back to the Basics, I share some thoughts on Social Security and how important it is to be thoughtful about your claiming choices.

Also, please check out the upcoming dates for our retirement classes at BGSU. Retirement Elevated is our most comprehensive education offering and is something that could be a huge benefit to those you



Anna somehow turned 16 and got her driver's license. She couldn't be happier about it. Me, on the other hand...

know and care about. Please consider passing this information on so others can prepare themselves for a successful retirement.

I hope you're enjoying summer as much as I am, maybe a little less. Let's pace ourselves, shall we? Thanks for all that you do; we'll look forward to seeing you very soon.

All the best,

Adam B. Cufr, RICP®

Is the Tide about to Change? – Value Stocks vs. Growth Stocks

Only when the tide goes out do you discover who's been swimming naked. – Warren Buffet

A classic stock investing debate has long existed between those investors favoring more growth-oriented companies and those favoring companies selling at a large discount to a fair price, also referred to as value companies. Choosing between these two 'competing' investing styles is like choosing between cake and ice cream. Most of us really want both.

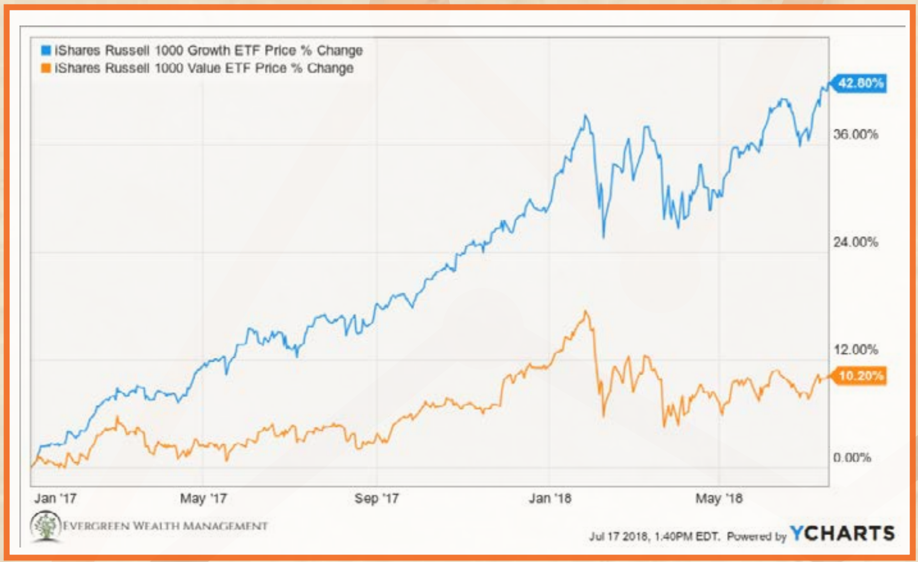
In a perfect world, an investor can find solid growth companies selling at a discount to a fair company value, allowing you to receive a long-term return from both the company's profit growth and its stock price; the best of both worlds! It would be akin to purchasing a beautiful home in California at a 50% discount to the neighborhood. Unfortunately, these deals are much more rare today than in 2009 after the real estate market's collapse. In the stock market, we've seen an enormous and alarming disconnect develop over the past 18 months between traditional growth-oriented companies and those that are of the value-style category, as depicted below.

When looking at this chart, one should be reminded of one of investing's core rules: never delude yourself into thinking you're investing when you're instead just speculating. Looking at today's market, the current disconnect between growth and value companies' stock prices makes us wonder if a good chunk of participants are starting to speculate rather than invest. As a result, we believe the need for proper long-term analysis and portfolio balance to offset potential speculation are becoming increasingly important. Avoiding emotional moves and speculation over the next two years will prove extremely valuable (and possibly difficult) for the long-term investor in order to continue meeting objectives. Many investors may need help over the coming years to avoid getting sucked into a trap similar to the tech stock bubble back in 2000 and financial stocks in 2008. Are we looking at an Amazon/Netflix bubble in 2020?

Stepping back, let's define what makes a growth company a growth company, and what makes value, value? A little background may be helpful to demystify the growth/value jargon.

Value Companies:

Traditionally, accounts designed to provide a more stable, higher income, and reduced risk profile would be classified as a more value-oriented company. Value companies usually have mature business models that seek to maintain strong pricing power, modest growth, and typically reward long-term shareholders with a dividend payout or stock repurchases. The value category is often represented by larger companies such as Coca-Cola, Proctor and Gamble, Exxon Mobile, and Johnson & Johnson, to name just a few.



Growth Companies:

Growth companies are focused on higher revenue growth, expanding their market, and generally show lower profits due to higher investment in company expansion. They typically pay little to no dividends as they re-invest profits in expanding growth. Examples of growth companies are: Amazon, Google, Netflix, Nvidia, just to name a few.

At the right price, either value or growth can be very successful investments to own and can lead investors to long-term success. Both styles should be used in a well-diversified portfolio for balance and diversification. However, investor objectives may benefit from favoring one style over another and it's important to be aware of the risk of overexposure to either.

Based on the study findings from Bank of America/Merrill Lynch over a 90-year period, growth stocks returned an average of 12.6% annually since 1926. However, value stocks generated an average return of 17% per year over the same timeframe. Bank of America/Merrill Lynch's chief investment strategist Michael Hartnett added, "Value has outperformed Growth in roughly three out of every five years over this period."

Historically we see (and expect) an ebb and flow of performance between growth and value stocks with value generally outpacing growth, long-term. However, we've found that extreme disconnects between these stock styles often serve as a precursor to a future problem. In the late 90s we saw the general market index pulled artificially higher by the technology sector and dot com craze. Clients abandoned well-diversified portfolios to chase the incredibly attractive, but unsustainable, tech returns. Many moderate and conservative investors no longer found themselves satisfied with balanced returns and desired the 50%+ returns of high growth tech stocks. This directly preceded the market collapse from 2000-2002. In similar fashion, many investors desired to switch from traditional growth investments to bank stocks after financial stocks ran up such large gains from 2003-2006. As we now know, many investors became overexposed to these financial stocks right before the 2008 collapse. In both cases, we saw an extreme disconnect between growth and value prior to the corrections. In these situations, investors were painfully reminded of the now-famous Warren Buffet quote: "Only when the tide goes out do you discover who's been swimming naked".

The common mistake made during times of market disconnect has been a general disregard for consistent, long-term focus that meets a planning objective, while rushing to the brightest, shiniest object.

Stay long-term objective focused

All of human unhappiness comes from one single thing: not knowing how to remain at rest in a room.
–Blaise Pascal

An investment operation is one which, upon thorough analysis, promises safety of principal and an adequate return. –Benjamin Graham

Stephen L. Hanley,
Investment Strategist
Evergreen Wealth Management

Investors often get into trouble when they stop accepting an 'adequate' and 'safe' return as acceptable. When objectives are being met - and yet the investor wants more - is when emotion seemingly pulls them toward speculative investments often akin to gambling. Even aggressive investors should take note to remain balanced with stocks and not become overexposed to a singular company, industry, or sector. Investing done properly should never expose an investor to long-term loss of principal over 10, 20, or 30 years.

Having a clear plan that is balanced and objectives-based is what will lead to accomplishing your goals. Measuring investing progress against improper benchmarks, becoming short-term focused, or wanting more than adequate or sustainable returns can lead to a dangerous mindset. Get caught up in the neighbors'-grass-is-greener mindset, and you may find yourself susceptible to a trap like 2000 or 2008.

Let me close with this tidbit from Warren Buffet, whom I consider my guiding light in investing:

"To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information. What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework."

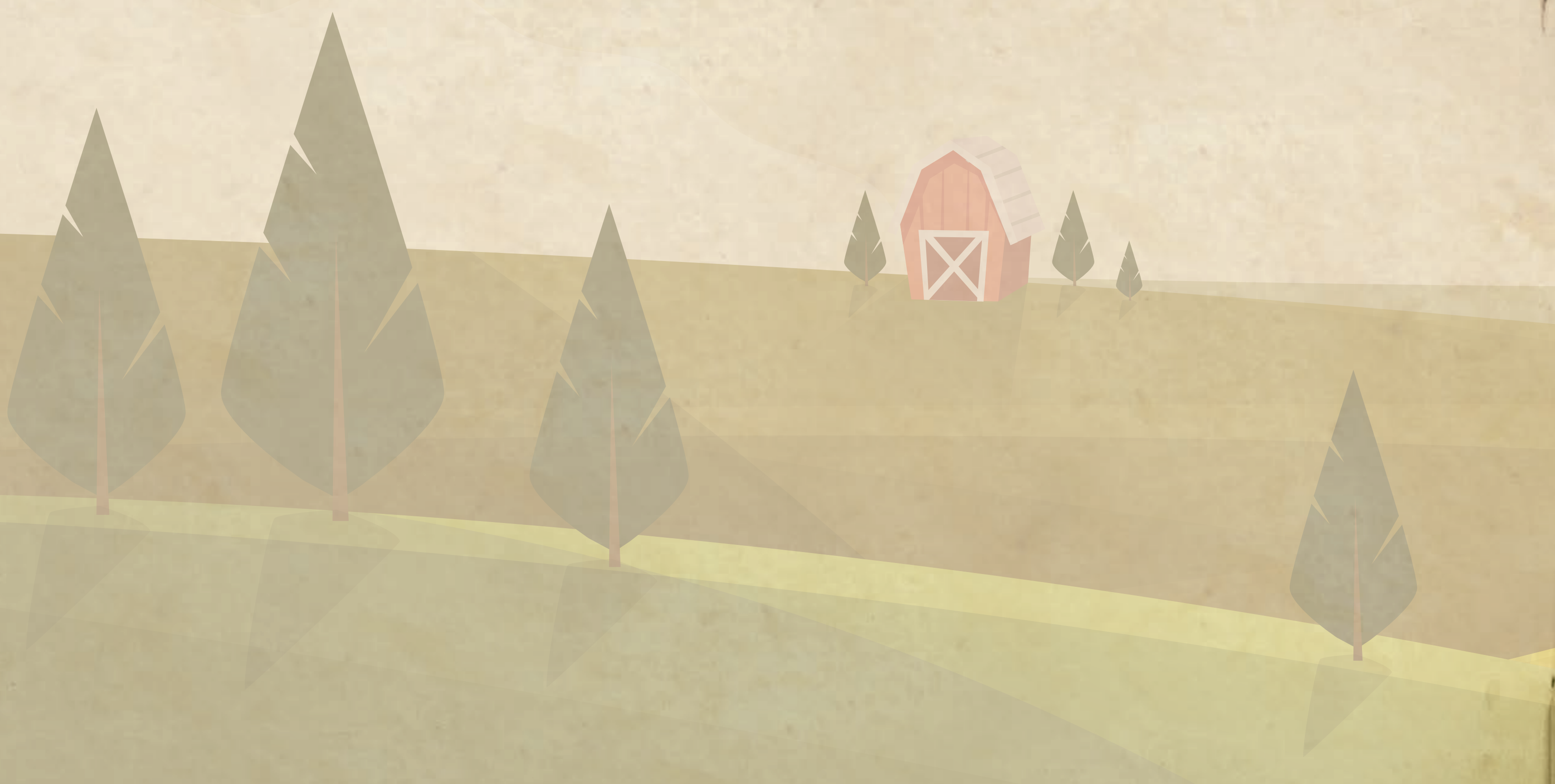
Everything we do from planning to investment management is focused on keeping a sound intellectual framework from being corroded by emotion. We offer this emotion-free framework to help investors succeed over the long term. Our team holds a deep understanding, and over 50 combined years of experience, in watching investment and investor disconnects play-out. While we can't avoid all the pain when the tide goes out, we can help foster resilience to avoid the pitfalls of an emotion-filled market.

Is your Estate Plan Right? Get a Free Review

Over the years, I've written articles for The Steward teaching you about different concepts, tools and techniques for effective estate planning. Helping the clients we serve obtain the peace of mind they need is my passion, and educational articles are a way to help people understand the issues and opportunities before them. Unfortunately, more head knowledge doesn't provide the peace of mind that you deserve; it's action that's required. On this occasion, I'll make it a little easier for you to do just that, to take action that will have lasting impact.

If you've put off formally planning your estate, you're not alone. It's sometimes normal to procrastinate, but all too often we see families pay for that procrastination in unfortunate ways. Here are some examples:

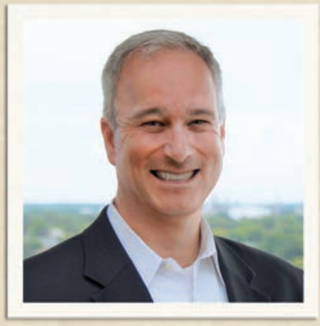
- Paying thousands of dollars in unnecessary estate administration fees.
- After one spouse dies, the surviving spouse sometimes remarries and assets subsequently pass to the new spouse rather than to the couple's children.
- Families torn apart by fighting over money.
- Children losing their inheritance in a divorce, lawsuit, business failure, bankruptcy, or sometimes because of their own financial immaturity or inexperience.
- Nursing home cost depleting an estate.



These are just a few of the many examples that exist. My point here is this: we don't want these things to happen to you or your family. You need to make sure that your estate planning is set up correctly in order to prevent these unfortunate outcomes from wreaking havoc on your family.

So here's the easy way for you to take action:

Because of your relationship with Fourth Dimension, I will, *without any fee or obligation*, review your existing planning documents and your current needs and goals, and make recommendations to you for any changes that are needed to accomplish all of your objectives. *You won't even have to meet with me for the review.* If your planning needs to be updated or if additional planning is needed, and if you choose to have me do that work, I will discuss any fees for that work with you in advance. Almost all of our estate planning work is done on a fixed-fee basis, so you would know exactly what any fees would be in advance of any work being done for you.



Richard Chamberlain,
Founder and principal attorney
of Chamberlain Law Group, Ltd

To take advantage of this offer, you can either contact Fourth Dimension or me (richard@chamberlain-law.net) and ask for the **Free Estate Plan Review**.

Peace of mind comes from knowing that your estate plan has been set up to address your needs and meet your goals, and that everything will be handled appropriately and efficiently when the time comes. I hope that you'll take advantage of this Estate Plan Review so that you can make sure your estate plan is right for you.

Back to the Basics

Social Security Planning 101 – Just a Few Drops Into the Ocean

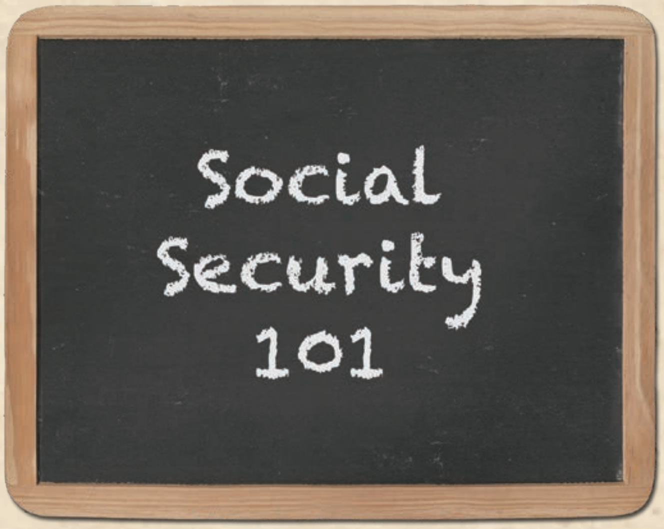
One of the core building blocks of a retirement income plan is Social Security. Earned over decades of working and paying taxes into the system, Social Security recipients have turned the corner and are now extracting income from this unique asset. But what's so surprising is how nonchalant many retirees are about this component of their wealth. I wonder if that's because we don't see Social Security for the huge asset that it is.

If a retiree is receiving $2,500 per month in benefits from Social Security, the amount of income they'll receive over a lifetime adds up to a big number, a very big number. For example, $2,500 X 12 months X 30 years = $900,000! Add to that number a cost of living adjustment that occurs most years and you're looking at an asset that far exceeds $1 Million! And that doesn't include a spouse's benefits. But because the income flows to the recipient so slowly, that drip doesn't feel like the ocean of wealth it really is.

I share all of this to illustrate that it pays to know the options available with the receipt of Social Security benefits.

Here are some basics of Social Security to consider:

- Workers can begin receiving Social Security benefits as early as age 62.
- By waiting until reaching full retirement age (ages 66 and 6 months to 67, depending on your birthdate), the recipient will have grown their income by 8% each year. This growth can continue until age 70, after which point the benefit of deferring ends.
- A spouse can file for spousal benefits against his or her spouse's worker benefit – even if never having worked outside the home – and generally be entitled to 50% of their spouse's benefit.
- A widow or widower is entitled to continue receiving their spouse's benefit even if it's larger than their own (the smaller of the two benefits ceases after the first spouse dies).



- Social Security generally adds a cost of living increase to benefits, even when a person chooses to wait to receive benefits until later. This means they're not only experiencing the 8% annual increase for waiting, but also add the COLA to that 8%.

The dynamics of Social Security are such that waiting to receive benefits means more income every year until death, which may or may not be a long time. As a result, we have some decisions to make. If a person chooses to wait one or several years to 'turn on' their benefits, they'll increase their income BUT also receive benefits for fewer years. As a result, a 'breakeven' analysis is an important consideration.

While every situation is different, many people – especially couples – will benefit by waiting until after age 62 to begin benefits. However, there are many reasons to start benefits earlier too, like a health issue, a job loss, death of a spouse, and more. The key, however, is to be thoughtful in making these decisions.

If I asked you to consider how you'd like to handle a $2,500 monthly income, you'd consider it for sure, but would you see it in the same light as a decision concerning $1,000,000? Beware the context trap. Naturally, viewing this decision in the context of a comprehensive financial and retirement plan can be very valuable. In fact, it's not uncommon when building plans for families for us to discover hundreds of thousands of dollars potentially lost in a retirement. Once you see Social Security in the proper light, it's much easier to make the tough decisions.

RETIREMENT ELEVATED

Plan Well · Retire Well · Live Well

As you may be aware, we teach classes at BGSU at Levis Commons called Retirement Elevated.

These classes are designed to offer the current or aspiring retiree a serious education in retirement planning. This is a wonderful opportunity for you or your friends to access a lot of great material in a focused classroom educational setting.

During the class, we will go in-depth in the following planning topics:

- Retirement Income
- Investments
- Taxes
- Healthcare
- Estate Planning

Retirement Elevated classes are designed for people between the ages of 50 and 75 who seek to strengthen their understanding of retirement planning and all of its nuances.

CLASS DATES AND TIMES:

We have several sessions coming up from which to choose. Either a Tuesday and Tuesday class or a single, longer Saturday class are available in both September and October.

Tuesday 9/11 and Tuesday 9/18
6:30pm-9:00pm
-or-
Saturday 9/22, 9:00am-1:00pm

Tuesday 10/9 and Tuesday 10/16
6:30pm-9:00pm
-or-
Saturday 10/6, 9:00am-1:00pm

If you know someone who would like to register, please contact our office at (419) 931-0704

Class Fee: FREE!

If you'd like to receive more information about the class and what's covered, contact us and we'll gladly share more information with you!

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Fourth Dimension
—Financial Group, LLC—

Fourth Dimension Financial Group exists to help people seeking financial retirement achieve enough, live fully, and help others do the same. Appearing regularly in national industry publications and local media for retirement planning insights, Adam and his team of highly-focused and passionate advisors help clients achieve greater clarity in their planning.

Fourth Dimension's clients benefit from the use of world-class income planning, tax reduction, and risk management strategies, resulting in a retirement plan that works in any economic conditions rather than one built on hope and luck.

To your success,

Founder, Principal, and Retirement Income Certified Professional®

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