SINGLE POINT PARTNERS

Single Point of View is our way to occasionally share planning ideas relating to personal finance. Our goal is to pass along concepts that you may not be exposed to on a daily basis.

June 24, 2016

Markets Today and Your Portfolio

By now you have certainly heard the term Brexit. If you hadn't paid attention to the story over the past few months, it will be shoved down your throat now with the UK voting to leave the EU yesterday. It is now impacting everyone with the effects being felt in the global stock markets.

I want to focus on what's most important, how does this impact your financial life?

Back in March you may remember we began the process of rebalancing many of your accounts. From January through mid-February the US stock market was down 10%. By mid-march it had pretty much come back to square one. Rebalancing means selling some positions and buying others. We did all of the selling of those positions in March, but, very little of the buying. The way we handle the buying and selling is to set a price we are willing buy or sell at, and try to be patient in letting the market move to that price. Our feeling was that the markets will react to something that allowed us to buy in at those lower prices. We certainly did not know that Brexit would be what presented the opportunity, just that ups and downs are how the markets work.

The result of this is, that in the discretionary accounts we manage for you, we have been holding much more cash than we typically would (this amount varies by account based on your specific risk tolerance). We have had prices set to buy back into certain assets, today's market movement will certainly bring us closer to some of those prices (and we very well may see some of the positions be bought). We have also lowered a couple of the prices we set to buy into certain positions.

I want to be sure to emphasize that you still have a majority of your funds invested in stocks and bonds, so you will be along for the ride during this bumpy time. The extra cash in the account should help balance the ride somewhat and present an opportunity to get it invested at prices lower than they were back in March (or even yesterday). Things could certainly continue down from here (we've all been through that before – remember, stairs up and elevator down). Stock markets hate uncertainty, and how the UK and EU will handle the impact of this change brings plenty of uncertainty.

I'll let the talking heads debate just how big of an impact Brexit will have on the global economy. We will remain focused on ensuring that you have the correct amount of risk in your portfolio, and that we are using opportunities of market volatility to rebalance back to that risk.

If you want to educate yourself more on Brexit here is a link to today's WSJ article.

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http://www.wsj.com/articles/u-k-projected-to-leave-european-union-1466740486

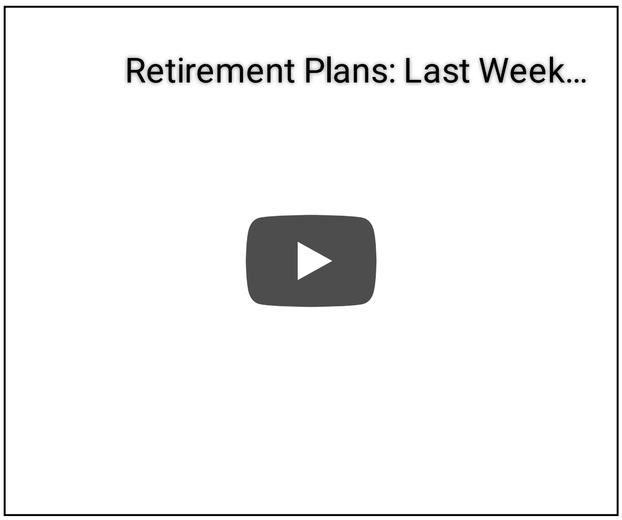
If you have any questions, we are here.

Posted by Unknown

June 18, 2016

Elf Spotting, Financial Advisors & Fiduciaries

Thank you John Oliver for explaining the problems in the financial advice industry in a way that I never could (with a lot of swears and humor).



https://www.youtube.com/watch?v=gvZSpET11ZY

That bowl of soup explains better than I ever could exactly why we act as fiduciaries for our clients.

Oliver outlines the reality of the impact of fees (most of which are hidden). This is exactly why we have moved to a flat fee model for our Personal CFO relationships. We want you to know what you pay (in dollars) for the advice/guidance we provide.

He discussed the new Department of Labor ruling which I wrote about in a recent blog post. Here are my 'boring' thoughts:

http://singlepointpartners.blogspot.com/2016/05/thoughts-on-recent-dol-ruling.html

When the lobbyist for the big financial institutions are fighting this hard against a change, you know it is for a reason (hint: it probably isn't because they truly believe it is best for you). The argument that the lower to middle income people will be hurt by this the most doesn't resonate with me. The industry will, and should adapt, to pricing structures that work for a business model that supports providing advice to people while being held to a simple standard of it being in their best interest.

I love seeing these issues come to light.

Posted by Unknown

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Elf Spotting, Financial Advisors & Fiduciaries
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May 26, 2016

Children and Money

We have been fortunate over the past couple of weeks to have Liam Cronan join us at Single Point to work on a few projects. Liam is a senior at Thayer who will be attending Bentley in the fall.

In a previous blog we touched on the topic of how to help teach your children about money:

http://singlepointpartners.blogspot.com/2015/08/should-kids-have-to-do-chores-for-their.html

We thought it would be interesting to hear a firsthand perspective on the topic. In this guest blog post, Liam discusses his personal experience with how his family handled conversations about finances.

Some would argue that money and finances, especially those relating directly to the family, are not the business of children. Others may say the processes, not to mention stresses, involved in earning, maintaining, and expanding personal wealth is a topic that should not be a child's concern on the grounds they are too immature to understand it or that their innocence regarding money should be spared. However, keeping children ignorant as to a families assets, how and why their financial decisions are made, or even something as simple as the point of a having a bank account is not only a lost opportunity for valuable life lessons but also places children at a significant disadvantage. Children are naturally curious and are only further intrigued by something they find mysterious or off limits. Money would fall perfectly into this category. Most children, when trying to ask their parents questions such as “how much money do you make?”, “are we rich?”, or “why is their house larger than ours?” will most often be met by a response saying it is impolite to talk about money or income. This reaction, of course, will only make the child want to know even more, begging the question: would it be so terrible to answer questions like these; would it be some complicated and strenuous task to explain? In large part, the answer to both of these is no.

This concept does not necessarily mean handing a form 1040 and a balanced check register to a five-year-old will set them on a path to financial knowledge and success, however keeping them in the dark entirely leaves them unprepared on one of the world’s most universal and important topics. Discussing finances can start with things as trivial as a grocery bill or the reasons why something can or cannot be purchased. When a child receives money for a gift, they can be taught how and why some should be spent while some could be used to start a bank account that will earn them interest. Any one of these can be utilized as an opportunity both to teach them and to spark their curiosity. As they grow older, children can be introduced to more complex topics, which will make intuitive sense based on their furthered maturity and the previously taught knowledge.

Talking about money with children is crucial as it is one of the most important means for teaching them to handle their finances in the future. As these children grow into teenagers, those who are equipped with an understanding of money and family finances will likely be the ones who make sound financial decisions with their own money, who will understand the costs and benefits of the increasing cost of higher education, and will likely not be the ones with a quarter of a million dollars in debt and a degree in ancient Mesopotamian cultural studies to show for it. Sadly, according to a 2014 survey conducted by Citi Group, only fifty-nine percent of parents even feel comfortable talking to their children about their personal finances, twenty-eight percent of them stating it was a topic they considered off limits for a child. By consequence, the forty-one percent are left to surmise what they can and be left in the dark about the rest. This fact means that nearly half of all children will subsequently grow into to relatively monetarily and financially illiterate young adults.

Talking about a family's finances does not need to be a daunting task for parents, yet so many make it out to be so. Part of changing this fear comes in a willingness to be open on the part of parents as well as overcoming the fear that discussing these topics will be some life-altering and traumatic event for children. For some, the child may not have any interest whatsoever in learning about money (which could be considered a problem in and of itself) but if and when they do, it is imperative that they be given the information to have tools they need, so far as they can handle it in a mature and confidential way. According to an article published in *The New York Times* on the issue of talking to children about financial matters, discussions about money can being as early as six or seven with something such as a grocery bill or in a larger sense why the parents choose to spend money in the way they do and slowly advance to more complex topics as they age. Moreover, a similar article in *Time Magazine* furthers this by stating that it is not something to occur once but instead something that is more of a process. They end with a simple piece of advice: if a child asks about money, personal finances, income, or what have you, find out why they want to know, find out what piqued their curiosity.

Personally, my parents were always open and willing to discuss topics regarding money and their finances from when I was very young. My aunt, a forty some year veteran of the banking industry, was also more than willing to answer my questions, foster my curiosity, teach me about the banking and finance industry, and instill the importance of saving money in a bank. As time went on, my parents involved me in their rational behind more complex decisions about their finances. My mother allowed me to come with her to her accountant and watch him file her taxes. However, I was not forced to do this; I was genuinely interested because of the curiosity she fostered in me. She then used this as a chance to teach me what tax returns were and why we were there in the first place. I began to learn about just why my father was so diligent about saving for retirement even though it was decades away, why he (as well as most people of his generation) won't have a pension set aside for him. Eventually, I was shown and taught about financial advisor reports and all that that entailed, from what the different types of assets meant what level of risk involved, and so on.

That being said, was it beneficial to me? I would answer that with a resounding yes. According to studies taken by Fidelity Investments, over three-fourths of people in "Generation Y" have a genuine interest in talking to their parents about money related issues, and I would consider myself within that group. Learning about money and finances from a young age not only helped me understand first and foremost that money had an important purpose in society but also forced me to slow down and think about its use and how that affected me. Furthermore, it taught me that financial success does not come arbitrarily but rather from a careful setting of goals and a willingness to follow through with them.

Before the next generation of children, the next future of the U.S., can grow into financially literate young adults, the taboo around discussing money needs to dissipate. Parents need to understand the importance of teaching their children about money and finances and to consider a talk about money with their child from an early age as being no less important than any other similar lesson. For me, I do not regret for one moment that my parents taught me this from a young age or feel in any way that it was some destroyer of my innocence. On the contrary, I could not be more grateful for being provided with the tools I need to understand some of life's most important issues.

Posted by Unknown

May 11, 2016

Social Security: After April 29

In previous posts we outlined the beginning of some big changes to social security claiming strategies this year.

http://singlepointpartners.blogspot.com/2015/10/congress-makes-changes-to-social.html
http://singlepointpartners.blogspot.com/2015/11/important-dates-for-new-social-security.html

Now that the important date of April 29th has passed what should you be aware of. One item we wanted to draw your attention to is the File & Suspend strategy for individuals. File & Suspend is still an option for individual filers, however, unlike in the past we would recommend NOT choosing this option going forward.

In the past, if a Single Filer chose File & Suspend they became eligible for a future lump sum reinstatements. Essentially, this meant if you went through the Process of Filing & Suspending your benefit (as opposed to simply allowing it to defer by not filing) you were eligible to change your mind going all the way back to Full Retirement Age. If you had a change in health when you were 69, and felt your life expectancy was now going to be shorter, you could go to social security and ask them to retroactively turn your benefit on as of age 66. You would have lost the delayed credit, however, they would have cut you a check for 3 years of your age 66 benefit amount and begun ongoing monthly payments at that time.

Under the new rules, a single filer can still File & Suspend, however, they are not eligible for the reinstatement. So, there is really no reason we can think of to do it. In fact, it could actually be a negative as by not filing at all you have the ability to change your mind and go backwards 6 months on payments. This option may be lost if you go through the File & Suspend process going forward.

In short, going forward, single filers who want to earn delayed credits and have a higher monthly payment from social security (by waiting to collect all the way up until age 70) should simply do nothing and allow those credits to build.

Note: You should make sure 2 months prior to your 65 birthday to call social security and at least sign up for Part A (no premium) of Medicare. If you aren't covered through another plan at that time you can also enroll in Part B and a supplemental and prescription drug plan as well.

Posted by Unknown

May 5, 2016

Thoughts on the Recent DOL Ruling

I read a study recently that stated only 30% of those who refer to themselves as financial advisors actually provide any level of financial planning. One can only imagine that within that 30%, it is only a subset who are truly focused on planning vs. those who provide some planning as an ancillary service.

So what are the other 70% of "financial advisors" doing. They are most likely insurance salespeople, or, strictly investment advisors. To be clear, there is absolutely nothing wrong with insurance sales and investment management - we need those services.

The issue we have with the industry is in how confusing it must be to the general public. When looking for financial advice, the natural thing to do is find a financial advisor. How does one know if they are getting a financial advisor who is a financial planner, investment advisor, or insurance salesman if they all have the same title?

You may have seen in the news last month that the Department of Labor released a ruling which expanded the definition of a fiduciary under what is known as ERISA.

I'm guessing your response to the above sentence is "What the hell does that mean?"

Essentially, it changes the game for many of those providing advice on retirement assets. Now, everyone must act as a fiduciary - which simply means they must act in their client's best interest.

"Wait, some advisors haven't had to act in their client's best interest before this?" Technically, no.

At Single Point we have always acted as a fiduciary, and have always been held to a standard of acting in our clients' best interest: both by ourselves, and by those that regulate us.

In fact, we feel we are ahead of the industry in this sense with our Personal CFO retainer fee structure. By charging a flat fee for all of our advice and services, we have tried to eliminate many of the conflicts of interest that traditionally exist in our industry. If our fee will not change based on the advice we give you, there is no financial incentive to do anything but what is in your best interest. We felt it was very important to not just be a fiduciary, but, to align our compensation model to that role. This approach allows us to focus on what is most important to you.

We are happy about this ruling as we feel it is a first step in making things better for consumers of financial advice.

Posted by Unknown

March 28, 2016

How To Read a Financial Aid Award Letter

It is the time of year that many students are receiving acceptance letters to colleges. With that comes navigating the financials involved with paying for it. Below is an article from EFC Plus with an explanation on how to read a Financial Aid Award Letter. The most important part of analyzing the information is in separating the merit-based aid and the self-help financial aid, which will give you a better view of your true cost of education.

http://www.efcplus.com/financial-aid-award-letter-analysis/

Or, for those who prefer, here's a quick video tutorial.

http://www.efcplus.com/project/financial-award-letter/

Posted by Unknown

January 26, 2016

Stock Markets & Tax Information

This was an email we sent to our clients last week that we wanted to share on our blog.

To state the obvious, it has been a difficult start to the year for global stock markets. I don't want to add to the noise you hear on TV or read about. As you know, predictions on where its going from here is not what we do. We believe in taking the appropriate level of risk for your goals and time horizons, then rebalancing back to that level on a regular basis. For the investments you own that have a shorter time horizon, or, that you have chosen to have a more balanced risk allocation with, it is safe to assume you are not down as much as what you hear reported on the news. For your aggressive, longer term investments, it is safe to say you are. That is by design as you have time for them to recover.

For those who have read our investment updates in the past, you will surely remember our theme of the markets taking the stairs up, and the elevator down. For those who are new to reading this blog, the two links below (from Oct 2014 and July 2015) will give you a glimpse of that theme.

http://singlepointpartners.blogspot.com/2014/10/spp-investment-update.html

http://singlepointpartners.blogspot.com/2015/07/investment-update.html

As for right now, a time like this is typically not a good time to make any major shifts in your investments. It can be a time to revisit risk tolerance, to determine if a longer term shift should be made at a more stable time in the markets. In the meantime, you will most likely get a note from us at some point over the next few weeks letting you know that we have rebalanced your account back to the appropriate long term level of risk.

As always, we are here if you have questions. It is normal to feel anxious about your money during times like these. Sometimes reviewing your long term plan, and the goals for the funds, can help keep things in perspective.

On a separate note, we are entering tax season. For those who take distributions from IRAs, you probably have noticed the tax forms beginning to come in. For taxable investment accounts, these aren't typically available until the end of February. As a reminder, each year we send our you a personalized checklist of the tax forms we expect you to need to file your taxes. We'll be sending those out to each of you in February, so be on the lookout for that email.

Posted by Unknown