



Financial

## E-newsletter January 2016

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### Ops Center

- **IRA Contributions:** There’s no better time than now to make a 2015 IRA contribution (Traditional or Roth). The official deadline is April 15, but we suggest the earlier the better so your money will grow tax sheltered as long as possible. The 2015 contribution limit is \$5,500. Those 50 and older can make an additional catch-up contribution of \$1,000. For **Roth IRAs**, the 2015 Adjusted Gross Income phase-out range is \$183,000 to \$193,000 for married couples filing jointly. For singles and heads of household, the income phase-out range is \$116,000 to \$131,000.
- **Tax Documents:**
  - o TD Ameritrade has begun mailing 1099 forms. Keep in mind they will be mailing in batches so you may receive your documents at different times over the next week or so.
  - o Most of you can also expect 1099s from VSR Financial Services. VSR has filed an extension and the latest they will begin mailing is February 16. This will be the last year you receive 1099s from VSR so 2016 taxes will require less paperwork!
  - o For those of you with alternative investments, the mailing deadline for K-1s is March 15. Please consider filing an extension.
- **Social Security File & Suspend – Act Now:** The popular Social Security claiming strategy “File & Suspend” will go away six months after the Bipartisan Budget Act of 2015 became law, which should happen on April 30, 2016. If you can answer “**yes**” to **all** of the

following questions, you may need to act now to still take advantage of this strategy. Call us and we will help you!

- o Are you 66 or older as of April 30, 2016?
  - o Is your spouse interested in claiming spousal benefits?
  - o Was your spouse 62 by December 31, 2015?
  - o You are currently not collecting Social Security benefits.
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## **Welcome Ashley Coake**

JSW Financial is pleased to welcome Ashley Coake as our new Junior Advisor. Ashley has strong Christian values and a passion for helping individuals by gaining a deep understanding of what is truly important to them and using her knowledge of the financial tools available to enable them to achieve those goals.

The Pulaski County native has a strong quantitative background having earned a bachelor's degree in finance from Radford University and completed her Series 7 investment certification. She enjoys giving back to her alma mater by serving as Secretary on the Board of Directors for the Student Managed Investment Portfolio Organization (SMIPO) as well as an ex-officio member of the Investment Committee of the Radford University Foundation.

She began her career at the National Bank of Blacksburg and was employed for the past three years with Stifel, Nicolaus, and Company, Inc. She holds the Series 66 Investment Advisor Registration as well as the Virginia Life, Health and Annuity License.

In her spare time, she enjoys spending time outside on the farm with her husband, Matt.

We invite you to welcome Ashley by emailing her at [ashleyc@joelswilliams.com](mailto:ashleyc@joelswilliams.com).

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## **Meaningful Meetings**

A little preparation before your Status Update meeting (previously called a Review Meeting) with our team can add tremendous value to your financial plan. Keeping us updated about any life changes or new dreams and goals can help us have a more meaningful discussion when we meet. We can also model scenarios of possible changes in your life and present them during the meeting rather than after the fact.

We encourage you to reach out to us at any time with changes to your Wealthcare Plan by emailing [team@joelswilliams.com](mailto:team@joelswilliams.com) or by calling the office at 540.961.6706. Prior to your Status Update meeting, I will confirm your appointment and ask you a few questions to help us all get prepared. Here are some questions you can expect when I contact you:

- Have you watched our video [How to Get the Most from Your Wealthcare Status Report](#)? Even if you've watched it before, it's a good idea to watch it again before your meeting as a refresher.
- Can you provide updated values for outside accounts such as held away investment accounts or bank accounts?
- Are there any changes to your Wealthcare Plan since your last status report?

- Are there any special topics you want to discuss?

To help you feel connected during the meeting, I encourage you to do the following:

- Be prepared by jotting down a few questions or develop a brief agenda. This will help us cover what is important to you.
- Take notes. Summarize what you think you understand and ask additional questions for clarity on any points of which you are unclear.
- Set up a future appointment to report back or check on progress.

By keeping communication open and taking a few steps to get prepared, our meetings together will have deeper meaning and greater impact towards achieving your goals and dreams.

– **Beth Ashe**

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## **Financial Resolutions**

As we look to the year ahead, many of us make resolutions to accomplish goals that are important to us, our families, and futures. Why not resolve to plan for a better, financially secure future. What decisions or behaviors can you change that might help your personal finances, your retirement prospects, or your net worth?

**Studies show two of the top New Year financial resolutions are spending less and paying off debt.<sup>1</sup>**

Spending less can be a challenge, but creating a budget to follow throughout the year can help. Review your essential and discretionary monthly expenses to see what you can reduce or eliminate. This will make more funds available to save, as well as help you control debt so you have less to pay off.

**Most households lack budgets. Rather than being old-fashioned or bothersome, they are instrumental in determining spending patterns and opportunities for savings.** What is mysterious about your personal finances can clear up with a budget, and you get the sense of being on top of your financial life. You might find that you're spending \$80 a month on gourmet coffee, or \$100 a month on a gym membership you never use. Cable, eating out, buying retail – costs like these can really eat at your finances. Set a budget, and you can stop frivolous expenses and redirect the money you save to pay down debt.

When you set a budget and really look at your spending habits, ideas to reduce and control your spending will surface. This will ultimately allow for more funds to pay down debt. Paying off debt is an even bigger challenge for most, so making a resolution may help you commit to this objective.

Some ideas to get you started reducing your debt are as follows:

- Look at your debts, one by one. You may be able to renegotiate the terms of loans and interest rates with lenders and credit card firms.

- How about not buying 20% of what you want? Or alternately, paying for everything in cash? Either strategy might reduce your household debt significantly in a given month.
- Pay off all debts smallest to largest. The benefits are psychological as well as financial. Knock off even a small debt, and you have an accomplishment to build on – encouragement to erase bigger debts. Also, every debt you have incurs its own interest charge. One less debt means one less interest charge you have to pay.

You can plan to build wealth while reducing your spending and debt at the same time. We can help! We have tools available for you to help you set a budget, reduce your debt, begin saving and ultimately find your way to financial freedom. If you want to get started, be sure to check out Andrew’s review of some of the most popular budgeting tools below.

– Ashley Coake

## Budget Software Review

Do you want to create a budget and track your spending, but you don’t know where to start? I reviewed some of the most popular budgeting software applications and here’s my take.

Name	Pros	Cons	Web-Based vs. Desktop	iOS/Android Compatible	Price	Overall Rating
<b>Mint</b>	Clean Interface, Integrates Outside Accounts, Free Credit Score Reporting	Doesn't have all banks, Savings goals are only in dollars	Web-Based	Both	Free	4.5 out of 5
<b>YNAB</b> (You Need a Budget)	Easy to create a budget	Investments aren't fully integrated, \$60 cost might not be worth it for some	Web-Based	Both	\$60	4 out of 5
<b>Quicken</b>	Lots of capabilities, Multiple editions ranging in abilities	May be too complex for people looking for a simple solution	Desktop/Mobile	Both	\$30 - \$100	4 out of 5
<b>Budget Pulse</b>	Doesn't link with banks, so no data to be hacked	Doesn't link with Banks, so slightly more tedious to track	Web-Based	N/A	Free	3 out of 5
<b>Mvelopes</b>	Good base for budgeting. Based off of the "envelope style" budgeting system	Kind of clunky, outdated, takes more effort to get in sync and use regularly	Web-Based	Both	Free - \$95/year (Premium)	3.5 out of 5

These are just a few of the numerous budgeting tools available. In my experience, I found Mint and YNAB to be the most complete and effective for budgeting. This isn't to say the others won't work for you. The best way to find out is to try working on your budget yourself and see which program you prefer. If creating a budget seems overwhelming, contact us. We can help!

What is your favorite budgeting tool? Email me at [andrewc@joelswilliams.com](mailto:andrewc@joelswilliams.com).

– **Andrew Cialek**

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## **Growth Conditions Update**

Since 1966, there were eleven times where stocks lost 10% or more using monthly data and including dividends. Of the eleven times, six closely preceded and/or coincided with a recession.

Are we headed for a recession? Click [here](#) to read Ronald Madey's (Chief Investment Officer of Wealthcare) opinion on the current conditions.

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## **Joel's Corner: We Pretty Much Expected and Planned for This**

**January 25, 2016**

No doubt there are many headline stories about the economy, market and typical media sensationalism. Not to mention the election soap opera. These are my opinions on various global issues in the news:

- China has slower growth, but still over 5%; US is predicted to have 2 ½%.
- Oil prices will probably be down for a couple of years before getting back up and stabilizing around \$50/barrel, in my opinion.
- Terrorism will be defeated, not by the US, but by an alliance of countries all over the world.
- The US will get its economy growing again by creating an incentive for job creation by the private sector as it transitions to a country driven by a smaller government, while lifting up lower socio-economic classes by providing economic opportunity.
- Putin, North Korea, ISIS, or nuclear war are all examples of situations which should not be considered in making decisions about the management of your personal wealth plan. You can impact those situations by becoming informed with the geo-political issues and voting for a man or woman you feel will serve as a good leader for the future of our country.
- FYI: Oil price is the bigger problem for our economy than what is going on in China. Long story short: it is a credit/debt issue for the energy sector of our economy. Happy to explain in more detail over coffee.

What about the market?

- Corrections, recessions and bear markets are all part of the long-term growth of stocks. These are short-term phenomena and although not accurately predictable (4% chance), can definitely be managed with a solid plan.

- The long-term average annual compounded return for stocks is 9.05% and in the long term, in my opinion, stocks will continue to go up. Why? The stock market simply represents the goods and services we consume around the world. And as the population grows, so does the consumption of goods and services. In my opinion, the global population will continue to grow until the end of time.

We have been expecting some choppy markets for some time (review newsletters and emails in the second and third quarters last year). In preparation, we executed an investment plan in 2015 for each of you (unless instructed otherwise) that was less risk than in 2014. In some cases, substantially less risk, including paying off debt. With the move to Wealthcare, we are experiencing their patented goal-driven investment process which allows timely rebalancing that is in small incremental units. This strategy actually takes advantage of market drops and harvests gains by rebalancing in increasing markets. What an ingenious investment strategy: buying stocks when prices are lower and selling when prices are higher! (All dependent on your unique plan.) This type of current market plays right into your plan. So do not stress over the market volatility.

Our planning process helps us stay steady in an unsteady world. Rather than acting on emotions that almost always lead to negative outcomes, we focus on the facts:

- We know what your cash flow needs are in the near term (12 months), and your likely needs out in the next five years.
- We also know what your taxes will be in the next 12 months, and have a good feel for what they will be over the next 60 months.
- Using data that goes back to the beginning of time for the various investment classes, we attempt to predict a likely path of behavior these asset classes will take.
  - The forecast is ONLY for the next 12-60 months. This is because forecasts beyond that period have little value and can lead to behavioral mistakes with your portfolio. Example: to make changes today based on the thought that taxes will be higher in your retirement 20 years from now, has little basis, yet is a possibility.

To summarize, we work from a plan that is based on your situation and then we forecast with a high degree of accuracy (75-90%) how the various investments (stocks and bonds) will likely behave over ONLY the next 12-60 months. Then we monitor YOUR life changes every quarter to make minor adjustments, if needed. It is your life that changes over the next 60 months for which decisions need to be made; NOT what the stock market does.

As in the past, we have had white-knuckle periods, but your behavior in response to those situations have more to do with the impact on your wealth than the scary situation(s) itself. Our plan is about managing behavior to make wise investment decisions. Keep an eye on your Comfort Zone® score rather than on the media.

We will be fine. Call or email with questions or concerns.

**Joel**

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Citations.

<sup>1</sup> Fact Sheet: The Fidelity Investments 2015 New Year Financial Resolutions Study