JSW™ Financial

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Let's focus on what we can control

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taxes, estimate the costs of college education and what amount of money will support our lifestyle, now and in the future. We have reasonable data on inflation of food, medical expenses, college educations and retirement cash needed from investment assets and so on.

We do have some sense of how we live and spend money. Why not make sure we have a good handle on how that changes over time as life throws curve balls at us? And ONLY put the necessary amount at risk in the stock market that is needed? Why not adjust that amount as needed, as an objective; rather than try to "beat the market" with our life savings?

This is why the JSW Financial Team has been aggressively lowering the risk in client portfolios as we change to Wealthcare. For taxable accounts, I am advising taking capital gains now, while the market is high, and we can move into less expensive investment strategies with less overall risk. Obviously, we are recommending repositioning all the tax-deferred retirement accounts without having to worry about gains and taxes.

How about your financial advisor giving you a report on your status every quarter, vs. only when we meet? And that report being something you understand? How exciting is that?!

Until Later,
Joel

Contact Us
Office hours: Monday - Thursday | 8 a.m. - 5 p.m.
Friday | 8 a.m. - noon

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Some content provided in part by MarketingPro, Inc.
Citations:
1 - money.usnews.com/money/blogs/planning-to-retire/2014/11/07/how-to-supersize-your-ira-balance [11/7/14]
2 - mainstreet.com/article/are-you-financially-better-off-than-a-year-ago-more-americans-say-yes [1/16/15]

Financial Partner

A Quarterly Newsletter From JSW Financial
Spring 2015

JSW™ Financial

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In The News

Sarah Moravec appointed as Chief Executive Officer

In September 2013, Joel performed a complete management audit of JSW Financial — a technique he once taught his students at Virginia Tech. The goals of the management audit were to ensure quality standards were being maintained, improve efficiencies and in the words of Jim Collins, "get the right people on the bus." (Source: Good to Great) This was the first step in the journey that brought JSW Financial into these new and exciting times. In August 2014, JSW Financial hired Sarah Moravec as a consultant to perform due diligence on new partners and custodians in the industry and to assess new strategies. Once Wealthcare was chosen as our new partner, Sarah rolled up her sleeves and organized our efforts. Sarah has fearlessly guided the team to execute a near seamless transition experience for our clients. TD Ameritrade commented that they have never seen a team so organized. The speed and accuracy of our transition to Wealthcare is due to the tremendous efforts of the entire team with Sarah leading the charge.

Effective May 1, JSW Financial is proud to announce the appointment of Sarah A. Moravec as Chief Executive Officer (CEO). Sarah is a strategic leader recognized for setting vision and empowering teams to exceed organizational goals and a passion for solving customer problems through technology. She has a proven track record of defining strategy, developing new products, fostering innovation and successfully targeting and integrating acquisitions across a variety of industries. Sarah spent five years traveling the world for Deloitte Consulting helping Global Fortune 500 companies design new business processes to meet the needs of their customers and implement new financial systems to harness global tax strategies.

Most recently, she spent seven years with Dell at their headquarters in Austin, TX as Director of Product Management and Marketing. At Dell, she managed a $500M product line and a global team. She also launched two new businesses for Dell, one in data security and the other in next generation computing. In 2012-13, she created the strategy and led Dell's most successful acquisition to date: Credant Technologies, a data encryption company. Throughout her roles at Dell, she continually served as a customer advocate dedicating time and resources to visiting customers and understanding their needs. She served as "the voice of the customer" in all decisions and product designs to ensure Dell's products and services created the most value for customers. She says, "This is the best part of every job. Hearing feedback from your customers, even when you hear things that aren't positive, is the only way you will improve."

Though Sarah has worked in many industries, her roots are in Financial Services. While at Georgia Tech, she did two years in a co-op program where she alternated a full-time work position and attending classes each quarter. She spent these two years working for Paragon Resources, a consulting company for leading financial advisors, focusing on practice management, talent management and business development.

Sarah has an engineering degree from Georgia Tech in Industrial and Systems Engineering, with a concentration in Psychology. Between Deloitte and Dell, she obtained dual degrees from Northwestern University, just outside Chicago — a MBA from the prestigious Kellogg Business School and a Master of Engineering (MEM). Her focus was on new product innovation, leadership and technology marketing.

The whole team at JSW Financial is excited about having this type of big-company experience driving the visions and future of JSW Financial. Sarah's breadth of experience, from growing new businesses to managing large global business, makes her a great fit for leading JSW Financial into the future.

How do you end up with a million-dollar IRA?

An IRA worth $1 million or more must be a product of very early retirement planning and very astute investing, right? Compounding and great yields certainly count, but they aren't the only reasons behind seven-figure IRAs.

According to a recent report from the federal Government Accountability Office (GAO), about 1% of IRA owners have $1 million or more in their accounts. In this recent snapshot, the GAO estimated that there were 7,952 Americans whose IRAs held $5-10 million and 314 IRA owners whose accounts contained more than $25 million! Where is all this money coming from or being generated?

Often, the major factor in creating a seven-figure IRA balance isn't the IRA's earnings. Instead, it is a lump sum rolled over into the IRA from a workplace retirement plan. If an employee has contributed to a 401(k) or 403(b) for decades (perhaps with employer matches along the way), the result can be a six-figure asset balance. (The larger annual contribution limits for workplace retirement plans also help to promote large account balances over time.) An emphasis on equity investing plays a part – the GAO observed that IRA owners who were less risk-averse tended to amass greater IRA balances than more conservative investors. Lastly, IRA structure is undeniably a factor: the account rules permit the invested assets to grow and compound with taxes deferred.[1]

If you have a balance in a previous employer's retirement plan, contact us today to discuss your rollover options.

– Andrew Cialek

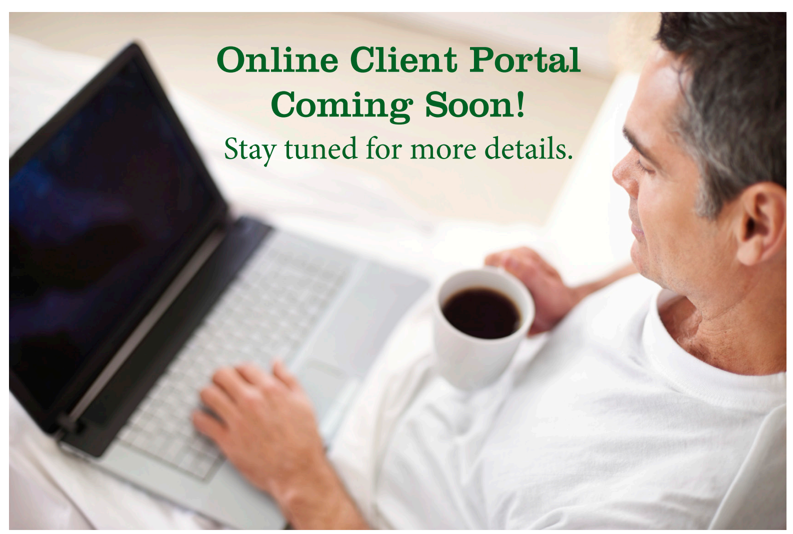
Quotables

In a first-quarter Gallup poll, 47% of American surveyed said they were better off financially now than they were a year ago (much improved from just 23% back in 2009).[2]

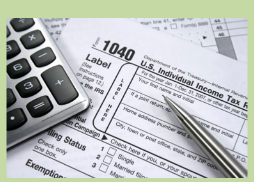
First Clearing statements

We are aware that a few of our clients still have remaining positions at First Clearing (mostly KBS REIT holdings). If you are still receiving First Clearing statements showing a position or balance, please contact our office. We are diligently working with First Clearing and TD Ameritrade Institutional to ensure that all assets transfer.

– Andrew Cialek



Tax returns



We are working hard to prepare your Wealthcare plan. In order to give us a better understanding of your tax situation and to aid in your plan creation, please provide us with at least two years of tax returns (preferably 2013 and 2014). If you are filing an extension for 2014, please provide a copy once it is complete.

Save the date

Join us at the Smithfield Plantation on Sunday, September 20, 2015, for a concert by the Old Pros Band featuring our very own Joel Williams on the saxophone. Tickets will be $15 in advance and $20 at the door. Proceeds benefit Montgomery Museum and Smithfield Plantation. Tickets will be available in our office one month before the event. More details to follow.

Markets
April 20, 2015

DOW | 18,034.93

Nasdaq | 4,994.60

S&P 500 | 2,100.40

Let's focus on what we can control

There are two passionate schools of thought currently being debated about the market. Both have valid points. The first says market highs for 2015 have not been seen yet, including the possibility of the Dow Jones Index reaching 20,000 for the following reasons:

- Many developed foreign economies are struggling economically and going through their own QEcycles (governments lowering interest rates): low interest rates, investor nervousness; continued debt issues, thus making their own stock markets less attractive to investors.
- The US stock market is simply relatively less risky than other global stock markets (in this current environment). This is simply an economic issue of demand and supply, in my opinion: the more US stocks are demanded, the higher the price (in aggregate, the stock market).
- Plus, over the last few years, US companies have been buying back their own publicly traded shares because interest rates have been so cheap. They can borrow money to buy back their shares, and be paid more in dividends and growth. Thus the supply of stocks in the US market is less, creating another force to drive up prices (in aggregate, the stock market).

> "We are better off when we focus on the issues that can make a difference in our lives."

In my opinion, this is a scenario that is occurring for a given period because of the circumstances, not solid economic growth fundamentals that cause long-term values of companies to go up and stay up. This could happen, but no data exits that can reliably predict the time frame in which this will happen or the magnitude. In my opinion, recent research shows the accuracy of these types of estimates is lower than 20% when used for any time frame of a consistent long-term investment plan or retirement distribution plan. So, this is not much help to most of my clients.

On the other side of the coin is another very passionate group claiming the market will fall "in the near future" 40-50%. There is just as valid data showing this to be a possibility, but again with contradicting points often ignored in such a presentation:

- Any market drop of that magnitude, purely related to technical market fundamentals, historically has recovered relatively quickly. Example: 1987, compared to the "big recession" of 2007-09 which was a breakdown in fundamentals of our economy, not market technicals.
- For several years the S&P has been correcting in a tight range of 5-7%. The reason is again the demand/supply issue discussed previously. Thus, any little drop in the market is being met with an even higher rise in the market.
- Many feel (I am not one) that when the Fed raises interest rates, the market will fall. In my opinion, a) I do not think interest rates are going to be raised of any significance until more good paying jobs are created. Thus, any raise should be based on economic fundamentals, not political reasons. b) If interest rates are raised due to solid economic growth to prevent inflation, that is a good sign. In this case, stock markets should rise, not fall.

From a data standpoint, this opposite scenario is just as flawed. Plus, when the possibility of political influence is factored in, conclusions of any reasonable chance of being accurate are just as weak as the more optimistic outlook. The facts are that we as individuals/families have to live in the long term, with intermediate surprises of life. Predictions of the near term with little historical accuracy are interesting, but do not solve the problem that we live in the long term with assumptions made today pretty much guaranteed to change.

So where does that leave us? First, we need to realize that we can't count on the accuracy of up or down predictions. We are better off when we focus on the issues that can make a difference in our lives. We know that no one can consistently predict the stock market. We know that. Yet, we fail to accept that we have set our goal to consistently live our lifestyle! The question should be: What will you *need* to live on now and in retirement? Not what will you *have* to live on? Any person reviewing recent research of investing comes across the subject of Behavioral Finance which tells us that more than 80% of your current and retirement assets are based on how you spend/save money. Less than 20% is based on success in the stock market (picking the "best" stock or mutual fund).

Second, it leaves us with a more certain plan of action compared to a prediction of the stock market! Knowing the cost of our personal lifestyle and estimating our expected cash needs in the future can help us more accurately compute our

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