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A JSWF gift guide

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racetrack test drive or a weekend somewhere fun? Think of experiences that you could share that are geared towards what he enjoys. It doesn't have to be fancy, just thoughtful.

Gifts for your Children. If you have younger children, they will probably make their wants known to you early. If that is not the case, think of what they would want to do and then see what is available in that realm. Trips to sporting events can be great, or maybe horseback riding lessons. Experiences create memories that your children can look back on fondly in the future.

Gifts for Grandchildren. Shopping for Grandchildren can be a challenge. Do they really like the socks you're buying? What is cool nowadays? These questions are hard to answer. Unless you have a gift list from parents helping you with your daunting task, think about their future and what will benefit them down the road. A great gift that doesn't just have to be during the holiday season is a Educational 529 Account. 529s are great vehicles to save for your grandchild's future education. They can help take some stress off of parents and possibly give you a tax benefit too! We can help you get this started. They might not know it now, but your grandchildren will greatly appreciate it down the road.

Gifts for Friends. Gifts for friends don't have to be as grandiose as what you do for your family. However, it is still important to put thought into what you buy. It can be helpful to think about your shared interests. If you both like wine, go to a local shop for a tasting. Find something you like and when gifting, let them know what you like about it and what you think they might appreciate about it. I personally like to look at the books I've read in the past year and buy a new copy to give to a friend that shares the same interest or experience I've had. This can put a personal touch on a gift that makes it more meaningful.

Have fun shopping and Happy Holidays!

– Andrew Cialek

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Financial Partner

A Quarterly Newsletter From JSW Financial
Fall/Winter 2016

JSW Financial

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In The News

Football and financial planning

You might be asking, "What do football and financial planning have in common?" It may seem silly, but there are actually some similarities between the strategy in the game of football and the strategy applied to financial planning. Let's examine what we can learn from today's most successful college football coaches about managing our wealth.

First up is Nick Saban, head football coach at the University of Alabama since 2007 and a five-time coach of a national championship team. He says,"The more one emphasizes winning, the less he or she is able to concentrate on what actually causes success." This quote has a zen-like quality to it. The most successful coach in college football today says he doesn't emphasize winning? After four national championships at Alabama, and one at LSU?!

Saban is passionate about avoiding complacency. That's why he has developed what he calls "the process" which teaches his players to:

1. Practice, practice, practice to improve their skills.
2. Focus completely on the play before you and nothing else.
3. Let the coaches be in charge of the strategy to win the game.
4. Don't make mental mistakes.
5. Develop resilience to overcome the adversity that we all face sooner or later.

Our "process" is Wealthcare which teaches us to take our focus off of "winning" (investment performance), and shift our focus to what we can control: our savings rate, our goals, our asset allocation and asset location (tax deferred, tax exempt and taxable accounts). That's the "do your job" part of Saban's process and the key learning from the years of research that went into developing Wealthcare. You also have coaches for the strategy part - our team - to help you along the way.

Next up is Urban Meyer who has had remarkable success in all three of his Division I football jobs at Utah, Florida and now at Ohio State. He succeeded while coaching in the most demanding era of college sports. However, his success hasn't come without a price. It took a serious toll on his personal life as he struggled to balance success on the football field with family life. He once said, "At the end of the day, I'm very convinced that you're going to be judged on how you are as a husband and as a father and not on how many bowl games we won." Before he accepted the head coaching job at Ohio State, he signed a contract with his wife and children on a pink sheet of notebook paper. It read, "My family will always come first. I will take care of myself and maintain good health. I will not go more than nine hours a day at the office. I will trust God's plan and not be overanxious. I will eat three meals a day."

Coach Meyer's contract covers the most important stuff: his physical and mental health, time with his family and their life together, lived in balance. Wealthcare is designed to aim your financial planning and investment management towards higher goals: living your best life! Think of your Wealthcare plan as your contract with yourself - to dream, to reach for goals and enjoy the abundance with which you've been blessed.

Finally, let's look at Jim Harbaugh who has had successful coaching stints at Stanford, the San Francisco 49ers and now at Michigan. His collegiate coaching record is 76 wins - 30 losses, for a .717 winning percentage, among the best in the college game. He says, "I love being part of something that is working toward a greater goal, and there's no more satisfaction in life than achieving those goals as a team and being a part of that team." This quote tells us something important: one lives their best life with other people - your spouse, children, coworkers and the other folks in our community with whom you interact. I think this quote is also telling us that it's important to give back to our community with our service, charitable giving and involvement.

We've helped a number of clients use the Wealthcare process to plan giving back to their community with charitable remainder trusts, conservation easements, donor-advised funds and other strategies. As the holiday season approaches, consider the ways the Wealthcare process can help you give back.

There you have it! A game plan for life from college football's most successful coaches:

- Do your job (your playbook is your Wealthcare plan)
- Listen to your coaches
- Live your best life
- Join the team and give back

You'll be happier for it.

– George Taylor

Ops Center

Tips for new investors

I was approached recently by some young professionals who are searching for advice on how they should save and invest their hard-earned dollars. The following is some of the simple advice I gave them. I imagine I'm preaching to the choir here, but my hope is that you seasoned investors will be able to share these tips (and even this article) with your young family members as you see them during the holidays.

Install the Faucet Early. The most important piece of advice I can give someone who is just starting out is "don't wait". The results gained by the compounding effect year after year aren't easily surpassed when people start investing later in life. As soon as you start your job, have a percentage of your salary automatically deducted to save and invest. If you never have it in your pocket, chances are you won't miss it. I like to relate automatic savings to a faucet. Once you do the hard part of putting the faucet (automatic withdrawal) in place, you can easily turn the water (savings) up as your earnings increase.

How Much to Invest and Where? This is a tricky question and varies case by case depending on your goals. My general rule of thumb is to contribute up to the amount that your employer will match (if your employer offers a plan), otherwise, you're essentially refusing free money. If your employer does not offer a matching plan, look into contributing to a Roth IRA. After that, work on eliminating debts like student loans, credit cards, and auto loans, then invest in a taxable account. I cannot over emphasize the importance of good budgeting and saving behavior early in life.

The Next Big Stock is…Don't make the mistake of following trends in investing or advice from people who claim to know what the next big stock is. Instead, look for quality, low cost mutual funds or electronically traded funds (ETFs). These funds provide instant diversification and are a better option than putting all of your money in a few of your favorite companies. Be sure to look at the expense ratios to compare the fund costs.

Make a Plan and Stick to it. View your investments as long term and try not to be shaken by the swings in the market or noise from the media. Create your target allocation by assigning a certain percentage of your assets to stocks and bonds and then make trades to bring the allocation back to the target as needed. For example, if your stock fund goes up and your portfolio drifts away from your target allocation, sell a portion of the stock fund and buy more of the bond fund to return to your initial allocation. This removes the chance for emotional decision making in investing, which is where mistakes are made, and ensures that you're buying low and selling high.

The keys to successful investing are: start early and keep it simple. Remember that you're in this for the long haul. The stock market fluctuates and in some years returns will be great. In other years, they could be negative. I believe it was Dave Ramsey who said, "The only people who get injured on a roller coaster are the ones who jump off." So, stay the course – slow and steady wins the race. If you have questions or want to know more about getting started, we are happy to help.

– Ashley Coake

Year-end deadlines

A few reminders as we get closer to the end of the year:

- RMDs: IRS rules require everyone who will be 70.5 or older by December 31, 2016, to take a Required Minimum Distribution (RMD) annually from your IRA. The IRS can impose a 50% penalty for not taking out the calculated RMD amount. If you have not satisfied your RMD for this year, please contact us as soon as possible.
- Charitable Gifts: If you are considering making a year-end charitable contribution by using one of your accounts, please contact us before December 15 to get the process started.
- Roth Conversions: December 15 also marks the deadline for Roth Conversions and Backdoor Roths (contributing to a Traditional IRA and then converting to a Roth).

*Requests received after December 15 will be process on a best-efforts basis.

A JSWF gift guide

If you are looking for last-minute gifts, here are a few ideas to help you find something meaningful that your family and friends will actually like!

Gifts for Her. Use this opportunity to set the tone for the rest of the year and give her something great to show her how much you appreciate all that she does. Consider a gift that is consumable and experiential. Spa packages have varying levels of service from just a massage to complete packages that would give your loved one a day off to herself. The important thing is that this giving should not stop after the holidays are over. Try to continually remind your spouse that you care for her with little gifts like flowers, or dinner out.

Gifts for Him. Shopping for men can be difficult. When looking at your options, think of what he likes to do. Shop equipment is always useful and much appreciated, but if he isn't the handy type, find something else he might use. How about a

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Joel's Corner

Don't let market tantrums mislead you

Whether it is war, death of a world leader, or even a single election, what we are experiencing in the markets in not unusual when surprises happen in our world. The markets are not reacting to their dislike for Trump (as many of the talking heads are suggesting), it is because so many "experts" were caught off guard. They were embarrassingly wrong! Remember, the markets (stocks and bonds) are all about certainty. Trump's election caused a lot of uncertainty in the short run.

We need to recognize the media talking heads have to make news (vs. report it) every day (almost every hour), so they are relying on short-term information from the so called "experts". Let's look at a few examples of the accuracy record for these experts on short-term information:

- Wall Street Journal, Economic Forecasting Survey: WSJ asked 50 prominent economists to predict only the direction of interest rates for the next six months. Over the years they have consistently been wrong 80% of the time. (Source: WSJ)
- Fed Funds Rate Forecast: A survey is run of futures traders for the past nine years. The futures traders have annually predicted rates would go up from .25-2.0% every year since 2008. Since 2008, the FFR has only moved cumulatively from .25% to .50%. (Source: Federal Reserve Board)

Beyond the talking heads there are real experts, but they have to make predictions from an unrealistic set of short-term data.

From Econ 101, we know interest rates have a major impact on the growth of the economy and markets, both locally and globally. Furthermore, key variables change gradually, and unfortunately, investors' emotions change instantly.

Yes, it is complex to understand all the underpinnings of the economic system, but one does not have to know all that complexity to make wise investments: just know interest rates drive the whole bus and the bus doesn't go over 5 mph.

Now, let me give you a few data points about the current facts on the economy and why, in my opinion, the volatility of the past couple of weeks is no reason to panic or be stressed. The Fed (Federal Reserve Board) knows the following:

- The US economy is expanding, but at the most anemic rate in history.
- The real estate market has to come back before the economy can get strong again. Any rapid interest rate hikes could derail the real estate recovery. So expect higher interest rates, but they will be spread out over several years, not in one big spike like the recent tantrum of the bond market. The bond market reacted to an equivalent of the Fed raising interest rates a full 1%, not the measly .25% expected in December.
- Before anyone can buy a house, families need to make more money to afford one. Basically, real wage rates have been in stagnation for almost a decade, until just recently. If interest rates go up too fast or too much, businesses will not pay workers more. Particularly, with globalization and increasing technology making companies more labor efficient.
- Our $19.8 trillion (with a 'T') debt just gets worse with higher interest rates. So it doesn't make a lot of sense that interest rates are going to go up a lot in the near term.
- The dollar will go up as interest rates go up causing US products to be less competitive, hurting the already troubling "trade deficit" (remember the NAFTA and TPP debate topics).
- The Fed's job is to protect against inflation (with interest rate increases) to improve real growth in our economy. Inflation for 2016 has been running 2.1% and for a healthy economy it needs to be running at 4-6%. For almost a decade, inflation has been nowhere near that, and the Fed is referred to as very "dovish", meaning they will not raise interest rates rapidly.

"…the odds are much greater that we will be glad we worked through this pain."

Finally, we have a process; it is a good one, but one has to have the discipline to execute…it's no different than Hokie football. It's not just about having a good playbook.

In summary, I can empathize with you that it is painful to see the value of our portfolios go down, but as in many situations in life, pain is a good sign; particularly in situations where there are no guarantees. We all know from our past experiences together that the odds are much greater that we will be glad we worked through this pain. We will be fine as we execute your plan.

Until later,

Joel

Markets

November 29, 2016

DOW | 19,121.60

Nasdaq | 5,379.92

S&P 500 | 2,204.66

HAPPY HOLIDAYS

During this holiday season, we at JSW Financial would like to express our gratitude to you for your continued confidence and trust. Although the holidays are certainly a busy time, we would urge you to take a moment; stop, reflect, and be thankful for the many blessings we've all been given, as well as remember the true importance of the season. Happy holidays from the JSWF team!