JSW™ Financial

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Planning that goes beyond investing

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also showed he shouldn't need to earn an income after age 61. Although we usually encourage clients to earn even some token amount in the early years of retirement for a healthy emotional transition. Mrs. Todd liked this idea since she doesn't want him at home under her feet all day. Once he reaches age 61, Mr. Todd could easily earn $20k/year consulting if he so desires.

- Mr. Todd's stock options (RSUs) were originally being invested for retirement (65+), but were highly concentrated and too high risk. We recommended they use the stock options to pay off half of their mortgage.
- By fall of 2016, the Todds paid off the remaining mortgage balance with the final severance payment on his non-compete agreement.

Currently you can find Mr. Todd working a job that keeps him close to home (he is no longer traveling out of the country every other week). The extra time allows him to enjoy his home, his family, his friends and he's even learning how to shoot a bow. The whole family enjoys the long weekends with the kids on short breaks from college. Mrs. Todd stays busy coaching her ladies groups, but with less hectic scheduling duties as before. All is well…until the next curve ball of life!

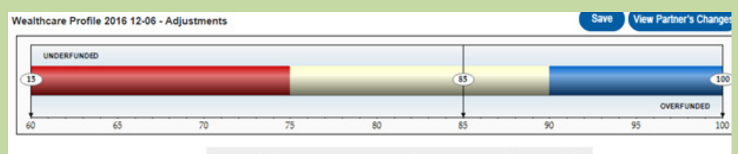

Figure 1. The plan snapshot clients see every quarter, called "The Comfort Zone."

NPR radio host: "Market report is brought to you by JSW Financial, 'Planning that Goes Beyond Investing'…Joel S Williams dot com."

Not Camelot, but a real-life story!

Until next time,
Joel

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Editor: Robin Hoback

Financial Partner

A Quarterly Newsletter From JSW Financial
Winter 2017

JSW™ Financial

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In The News

Bonds - what are they good for?

If the market is going up and interest rates are expected to increase, shouldn't we be selling our Treasury bonds? We're glad you asked.

Our philosophy regarding bonds, especially Treasury bonds, is that they operate as protection within our portfolios. In times of chaos in the market, investors all over the world flock to US Treasurys as a safe-haven. Thus, when the stock market is in a downturn, the 7 to 10-year Treasurys rise to defend against the market. Take a look at how our Treasury Bond Fund (symbol: IEF, the blue line) reacted during the "Brexit" in June of 2016 when the Dow Jones (^DJI, the red line) plunged overnight.

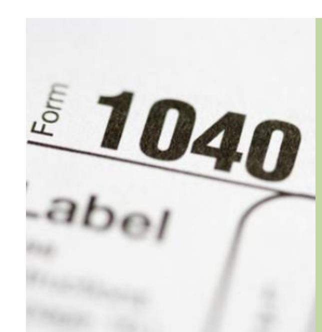
These Treasurys are protecting our portfolios, which is why we draw parallels between these bonds and fire insurance on your home. When interest rates are expected to rise and we see declines in our bond prices, we can look at that as paying our insurance premium. This is what happened at the end of 2016. After years of paying for fire insurance, most people wouldn't dream of dropping the coverage because the fact is the risk still remains, as it does within the stock market. Also, regardless of whether the price of the bonds goes up or down, we are still receiving interest income, which is currently around 1.81%. This means we are being paid to hang on to our insurance.

So, what is the outlook for the market and these bonds? The Treasurys have already started to come back up from their overreaction during the end of 2016. There's a lot of hopefulness in the market but there's still a lot of risk out there. The stock market has risen on the coattails of Trump's election based on the expectation of tax cuts, decreased regulation, and increased spending on infrastructure. However, the underlying data still isn't fully supporting these increased stock prices indicating that they may be overvalued (that's the risk). However, the earnings numbers could rise to justify the stock prices if everything lines up. There is the potential for a strong stock market and bond market if the Federal Reserve does a good job of raising rates at the right time and by the right amount to balance inflation and growth.

Since we anticipate a growing economy and inflation, we've incorporated inflation protected funds into our bond allocations as well. We're still holding on to our trusted fire insurance Treasurys but we are adding the Treasury Inflation Protected Securities, also called TIPS, to our holdings. What's unique about these TIPS is the principal of the bond is adjusted for inflation, which means that the interest paid on the bond adjusts for inflation as well. Thus, the bond's value actually rises with inflation rather than falling.

We are constantly looking at the market in relation to your plans and goals and are poised to make changes when necessary. For example, many of you received a letter recently about the addition of TIPS to your portfolio and some other changes we made regarding risk exposure and stock allocations. These changes were only made in cases where such a change was a positive move based on your goals based plan. Based on our research, we believe that your portfolios are currently well positioned to prosper in a growing economy and inflationary times but are still providing some protection against the risk that's lurking in the market.

– Ashley Coake



Reminder: tax returns

Please send us a copy of your 2016 tax return.

Ops Center

Tax season phone scams

Every year, con artists posing as the Internal Revenue Service perpetrate scams on taxpayers. Their weapon is a telephone, and they use it to leave thousands of households poorer. These gambits can seem very convincing, but you need not fall prey to them if you are informed.

The IRS will never call you up & demand money. Nor will the IRS contact you by phone to discuss your refund. In addition, it will not use social media, text messages or emails out of the blue to talk about tax matters with you.[1]

Not everyone knows this, and these criminals exploit that fact. In particular, these crooks target immigrants and elders. They presume that these demographic groups do not understand tax law and tax collection proceedings as well as others. Sometimes the caller ID will even suggest the "IRS" to further the scam.[1]

Since December 2013, federal investigators have detected about 290,000 fraudulent IRS calls made to homes and businesses. About 3,000 people succumbed to these scams during that period, forking over a total of $14 million in "back taxes" – roughly $5,000 per taxpayer.[2]

What are the telltale signs of a bogus IRS call? The classic sign is the demand for an immediate payment of "taxes" when no bill for delinquent taxes has been sent to you by the IRS to begin with. The IRS nearly always makes initial contact with taxpayers by mail.[2]

Another common move is asking for a credit or debit card number. In one common scam, the caller alleges that you have unpaid back taxes that can only be settled by buying a prepaid debit card (and by supplying the card number to the caller).[1]

Bullying is another red flag. In another prevalent scam, a

message may be left saying that this is a "final notice from the Internal Revenue Service" and tell you that the IRS is filing a lawsuit against you on a business or personal tax issue. Threats of arrest, deportation or losing your driver's license may be made. The caller may also tell you that you have no way to appeal, no chance to plead innocence – you are guilty and must pay taxes owed now.[1,2]

How can you report frauds like this? If you know for a fact that you do not owe any back taxes, call up the office of the Treasury Inspector General for Tax Administration (TIGTA) at 1-800-366-4484 and report what happened to you. (TIGTA is on the Web at tigta.gov.) Alternately, go to FTC Complaint Assistant website maintained by the Federal Trade Commission (FTC) and file a complaint there.

If you think you actually might owe some back taxes, call the IRS instead at IRS at 1-800-829-1040 as that really should be resolved; IRS staffers can assist you with such a matter.[1]

Watch out for these crooks, and let others know about their tactics so that they may avoid becoming victims.

– Beth Ashe

NEW at JSWF!

The Client Portal has been updated with the Financeware 3.0 update!

Also, in continuing with our tradition of seeking the best technology, we are evaluating new options that would bring additional offerings and services to you. Assuming our due diligence checks out, you should see added benefits in the next three to six months. Some of the options we are currently reviewing:

- Active management portfolios for higher risk investors.
- Potential price reductions that will be passed on to the client!

Deadlines

It's tax time again so please keep the following deadlines in mind:

- **IRA/Roth Contributions:** Check contributions or requests to transfer money to an IRA/Roth need to be received by Monday, April 10 to allow adequate time for processing.
- **TD Ameritrade 1099 Mailing Schedule:** 1099s have been mailed. Please call our office if you are missing information.
- **Schedule K-1s** (for some alternative investments): The mailing deadline for Schedule K-1s is March 15. These forms will be mailed directly from the general partner.
- **Reminder! Submit College Financial Aid Applications (FAFSA):** New in 2017, you now report earlier year (2015) income so you do not need to wait for 2016 taxes to be completed.

Joel's Corner

Planning that goes beyond investing

I was recently asked about the meaning of our NPR radio ad, "Planning that Goes Beyond Investing". A UVA graduate was wondering if we give away toasters anytime someone opens an account! The idea for our ad was born out of the LifeLock ads (identity theft protection). If you haven't seen the commercials, check them out on YouTube. During one of the ads, a man in a white coat is examining a patient's mouth and says, "You have the worst cavity I've ever seen!" and then begins to take off his gloves to go to lunch with his assistant. The patient, with a mouth full of gauze, asks, "Well, aren't you going to fix it?!" The man in the white coat explains he is not a dentist, he is only a "dental monitor". Although this commercial is humorous, it does have a valuable take away. Just like you would prefer to use a dentist over a "dental monitor" for your dental health, I imagine you would also prefer to use a financial planner that is functioning as more than just a "financial monitor". Although it is slowly changing, the financial services industry still has many financial advisors that fit into this category.

So how is JSW Financial more than *just* a financial monitor? We absolutely monitor your investment selection and management, but the greater value we offer is in the planning aspect of your life goals AND unexpected circumstances that life throws your way. For our clients, it is not a matter of "if" their plan will make a difference in their life, but "when". Whether it's a client just starting out as a young millennial, or grandparents deciding how much they can afford to financially help their grandkids get out of debt, each will value the unique power and analysis of our planning approach. (It's not just the software, rather the collective intel from our team.)

> "...since we embarked on this cutting-edge approach...we have a dozen stories that could be classified as 'life changing'"

In the past two years since we embarked on this cutting-edge approach based on behavioral finance theory, we have a dozen stories that could be classified as "life-changing", simply as a result of the planning the JSWF team delivered. One such story is about a family we will call the "Todd family" for confidentiality purposes. Let's examine how our planning changed their story.

At the beginning of our story, Mr. Todd was fifty-one years old and a top executive of a global company. His salary, plus stock options, amounted to around $400,000 annually. Their beautiful home with a view of the Blue Ridge Mountains was valued at $750,000 with a $500,000 mortgage on it. Mr. and Mrs. Todd were blessed with four wonderful kid who were ALL in college and scattered across Virginia and North Carolina. Fortunately, 529 plans covered most of their college costs. Mrs. Todd is active in the community and manages the family's schedule and the home. Each of the couple had successful careers prior to forming the blended family, and were working towards a retirement goal and target date in their mid-60s+…Camelot at its best!

Then it happened…out of the clear blue. On a Thursday morning in late July of 2015, Mr. Todd went to work and was greeted by his supervisor. The supervisor told Mr. Todd he was being released due to shareholders' dissatisfaction with the company earnings. The earnings drop was largely due to the crash in oil prices, for which the company's earnings were greatly impacted. After 22 years with the company, Mr. Todd was simply the scapegoat. A generous severance package helped lessen the blow, at least financially.

As one can imagine, the shock was devastating to the family. One just doesn't walk down the street and find another $400,000 job in Southwest Virginia. But the couple, having been through tough times before, used their grit to create a plan. Within a week,the house was put on the market. Due to Mr. Todd's international experience, he had multiple job prospects, but only one he seriously considered from a company in Los Angeles that matched his previous salary. Fortunately, the kids were all in college and not high school, which helped from an emotional standpoint. Still the emotional stress of being on the other side of the country from all of their children was weighing on them, as any parent can imagine.

I met Mr. Todd just before he was about to accept the Los Angeles job. Even though his current financial advisor was with the largest national brokerage firm, I convinced him to let us take a look at his situation. He agreed to hold off on the job acceptance until then. After making some adjustments to his plan, I scheduled a meeting with the Todds to share the good news. According to our analysis, the Todds didn't have to relocate to stay within their Comfort Zone®! A few adjustments could keep them in the home they love and close to their children! Summary points of the JSWF plan are the following:

- Mr. Todd's salary: Instead of needing a $400k salary, we brought his salary need down to $150k for the next five years, and thereafter down to $80k until age 61. The plan

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Markets

February 28, 2017

DOW | 21,115.55

Nasdaq | 5,904.03

S&P 500 | 2,395.96

June 2017 Client Event

We are currently planning our next client event. Stay tuned for more details!