SPRING 2016

THE JENTNER REPORT

Wealth Management Strategies from Jentner Wealth Management

INSIDE THIS ISSUE

Is the Stock Market for Me?

2016 is off to a rough start. Headlines highlight investors' concerns. People are drawing parallels to the crash of 2008. You may be asking yourself, "Is the stock market for me?"

No one knows if the market is going through a temporary decline or another extended bear market. When I peruse *The Wall Street Journal*, I read economic projections and market opinions ranging from bad to good. Most of the arguments sound reasonable, but they can't all be true.

There is a well-known saying, "It isn't what we don't know that gives us trouble; it's what we know that ain't so." So, what do you "know" that just isn't true?

Here are some historical facts about money:

- Uncertainty brings volatility.
- The pursuit of higher returns requires higher risks.
- Guaranteed returns are only as good as the institution or company making the guarantee.
- Investment and insurance companies do not offer their services or products for free. Costs do matter. The higher the costs and commissions, the higher the return must be to overcome these costs.
- People historically tend to invest in the wrong thing at the wrong time.
- People like to invest in things that are increasing in value and like to avoid or sell things that are declining in value.

The result: The majority of people earn returns lower than the historical, long-term market returns. This is not just true for amateurs but is also true for the professionals.

With uncertainty comes fear. You may be thinking, "Until the uncertainty is gone, investing is not for me." So what are your alternatives? Where should you put your money? You might be considering these options:

- A CD earning 1.5%?
- Some treasury bonds earning 2%?
- An insurance-company guaranteed annuity earning 3%, 4%, or maybe 5%?
- A stock index fund earning … who knows what?

So, what makes sense? The answer is: It depends. Here's the reason why there is not one right answer:

- **There is no silver bullet.** No one investment is the answer for everyone.
- **There are no safe havens.** Every investment has some risk, whether the loss of principal or the loss of purchasing power.
- **No one is able to predict the markets.** It would be nice if someone could, and there are plenty of people who try, but no one has demonstrated the ability to repeatedly get it right.

Here is our opinion: Get professional help from someone you trust. Put together a risk-appropriate diversified portfolio of cash, bond, and stock asset-class and index funds. Then ignore the noise, rebalance periodically, and stick to your plan.

THE PRESIDENT'S WORD

The Benefits of Being a Patient Investor

Volatility is a normal part of healthy markets. Investors can reap positive returns over the long term by staying invested and ignoring the volatility.

"Global Stocks Lower Ahead of U.S. Interest Rate Decision"
"Dollar's Rise Poses Risk for Fed Plan"
"Market Turmoil Threatens Fed Credibility"
"Dollar Falls Against Commodity-Linked Currencies"
"Gold Hits Three-Month High"
"Oil Prices Slide as U.S. Supply Data Awaited"


Bruce Jentner, President

All of these headlines are from one publication on one day, and we've hardly scratched the surface. With all of this inconsistent information, what should you do? How should you invest?

Many investors feel the need to read the financial news every day. Many others are so overwhelmed by the financial news that they ignore it. And more than $1 trillion of stocks and bonds are traded in the U.S. markets each day. Does all of the trading make sense? The answer is yes. Here's why.

Market analysts and traders serve a valuable role. They compete with other analysts and traders, each attempting to buy winners and sell losers. This assigns a value to each publicly traded security—a value not arbitrarily assigned by a bureaucrat but by the free market. However, this can create moment-by-moment price swings that feel unsettling. But over the long term, this trading results in reasonable values—rising prices for goods, services, and companies that are in demand and declining prices for goods, services, and companies that are not wanted. This is a good thing! Over the long term, companies and securities providing real value and benefit increase in value. And we can own and benefit financially from the success of these companies.

As good as this may be, the problem is that with more than $1 trillion of stocks and bonds being traded each day in the U.S. markets, prices rise and fall on a daily basis, sometimes dramatically. Many people react to these daily price fluctuations, which can hurt their long-term investment return. Others avoid investing entirely. In either case, they do not earn the long-term positive returns of the markets. Are there any solutions? Here are two ideas for your consideration:

1. For investors who understand that market volatility is just a normal part of a healthy, free market and, therefore, are not frightened by it, consider investing in a balanced portfolio of low-cost, transparent, highly diversified asset-class funds. These investments will fluctuate every day, but if you are comfortable staying the course, your diversified portfolio is likely to earn competitive long-term returns.

2. For people who are not comfortable with market volatility, you may prefer bank CDs or insurance-company annuities. These are guaranteed by the FDIC or an insurance company. This may give you peace of mind knowing you will earn modest returns. Banks and insurance companies invest in businesses too, but they help you avoid seeing the daily price fluctuations. However, banks and insurance companies charge relatively high fees for this service. Although your long-term returns will likely be lower, you are at least earning something.

Of course, it takes patience and understanding to be an investor. Be honest with yourself to determine if you are an investor or a saver, and then act accordingly.

Help Protect Yourself from Elder Financial Abuse

Financial abuse of elders is growing rapidly. What should you look for to safeguard your loved ones?

Financial salespeople are turning their attention to annuity and insurance products as a way to take advantage of the U.S. senior population. 70% of personal wealth in the U.S. is held by seniors. 10,000 Americans turn 65 years old each day. This creates a *perfect storm* for financially exploitative activity directed at seniors.

To meet the demand of an aging population, insurance companies continually develop new annuity, life insurance, and long-term care products with features designed to be marketed to seniors. But according to James Regalbuto, Deputy Superintendent for Life Insurance at the New York Department of Financial Services, there is a need for more safeguards to protect against fraud.

According to Kathy Greenlee, Assistant Secretary for Aging at the U.S. Department of Health and Human Services, financial exploitation is the fastest-growing section of overall elder abuse.

The average amount of money lost in cases of elder financial abuse is around $120,000, which is especially sobering considering that's the approximate amount the average person has saved for retirement. Unfortunately, only around 1 in 44 cases of this abuse is ever reported, according to the National Adult Protective Services Association.

FINRA, the Financial Industry Regulatory Authority, proposed a rule late last year to help prevent the financial exploitation of seniors. While broker-dealer executives agree with the goal of protecting seniors from abusive sales practices, they worry that regulation will add costs to their businesses.

Get a second opinion. Ask your CPA or a CFP® professional who does not sell any financial products to offer an opinion. Ask your financially astute children to look over your shoulder. Remember, if something sounds too good to be true, it usually is.

Daniel J. Bloom, CFP®, NSSA®
Director of Financial Planning

Do We Still Believe in Capitalism?

A Pew Research Center survey found that 95% of the Vietnamese favor capitalism over any other economic system. The same survey found that only 70% of Americans place capitalism first.

The Vietnamese government has taken market-oriented steps to attract business investment from foreign countries. Today, tourists in Ho Chi Minh City are often impressed by its ultra-modern airport, glassy skyscrapers, new luxury vehicles, and plethora of cafés, restaurants, and businesses. Asian countries are experiencing rapid increases in income and are joining the global middle class at a faster rate than any other region.

Do Americans still believe in capitalism and the pursuit of happiness? Research indicates that richer Americans do, but poor Americans don't. The research shows that poor Americans with unmarried, single parents and dysfunctional families lack hope and optimism.

The evidence from other countries shows that market-oriented policies that encourage educational choice, business risk taking, and job creation ultimately help economic growth and development. Providing opportunities for all people to get a good education so they can contribute to society with their labor, economic activities, taxes, and charitable contributions is a hallmark of a healthy society that promotes economic wellbeing for its citizens. Of course, we also believe that promoting financial literacy—spending less than you earn, avoiding debt, and being voluntarily generous to others—is essential to maintaining a health society.

It is true that capitalism can be challenging. But it has historically been the best economic system to promote economic mobility and growth.

Jentner Wealth Management
3677 Embassy Parkway, Akron, Ohio 44333
330-668-1000 1-866-JENTNER

ADDRESS SERVICE REQUESTED

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The Right Way to Give Family Loans

Question: What is the definition of a distant relative?
Answer: A close relative who owes you money.

When a family member is in financial need, it may be your natural response to offer them help through a personal loan. You grab your checkbook, write them a check, and ask them to pay you back when they can.

Your generosity is wonderful. We are not suggesting that you don't make the loan. But we strongly encourage you to document the loan to formalize the transaction. Why? There are two reasons:

1. Without a written loan agreement, memories can get fuzzy, terms are not spelled out, and too many times, tension and distance develop between family members if the person who borrowed the money has difficulty making timely repayment. When money is not repaid, it is common for the borrower to avoid the family lender.

2. The IRS tends to view undocumented loans as gifts. Some gifts can use up a portion of your lifetime gift exemption. In some cases, a gift tax and perhaps imputed interest can be triggered.

To avoid a misunderstanding between family members and with the IRS, it is wise to prepare a simple loan agreement stating the amount of the loan, the interest rate on the outstanding balance, and the terms for repayment. As important as it is to avoid a misunderstanding with the IRS, it is equally important to avoid misunderstandings between family members.

Face it. Life is too precious and too short to lose a relationship with a family member over money. Either the borrower feels guilty for not making timely repayment or the lender feels taken advantage of. Neither one is good.

Do some planning with written documentation before writing the check. Providing financial assistance to a loved one is great, but do your best to avoid unintended misunderstandings.

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