

Investor Insights & Outlook

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Investment Updates

Tune Out the Noise

Turn Off the TV!!!!

- ▶ My Mom used to say to me all the time, "turn off the TV and go outside and play"!
- ▶ I like to remind my clients to do the same. Let ME listen to the noise. That's my job.
- ▶ YOU should be enjoying the things you like: whether it's gardening, golf, fishing or hiking with the grand kids, you'll feel better if you're doing that instead of listening to the people screaming on TV.
- ▶ You can look if you'd like, but please don't stare.

There's a reason that investors tend to only hear about "looming" market doom or "imminent" market growth. While many news outlets have incentive to draw viewer attention with wildly bullish or bearish predictions, these sensationalized views may be a distraction to a sound investment approach. When tempted to make a radical change to your investment portfolio based on these headlines, it is important to recall some basic fundamentals to keep your plan on track.

Drown out the noise. Market movements are notoriously difficult to predict. The media outlets that scream the loudest are not always the most accurate. The fallout from attempting to time the market in response to one of these predictions can be dangerous to your portfolio.

Look, but don't stare. While it's important for

investors to know the performance of their accounts, short-term market fluctuations can be quite volatile. While the probability of realizing a loss within any given day is high, the likelihood of realizing a loss historically has decreased over longer holding periods. Periodic review of an investment portfolio is necessary, but investors shouldn't let short-term swings affect their view of the future.

Stay focused on the long term. Investors who have taken the time to determine a sound investment plan based on specific goals and risk tolerances are best advised to stick to that plan. While it may not always grab headlines, a sensible, tailored investment plan may be the best solution to meeting long-term goals.

Holding a portfolio of securities for the long term does not ensure a profitable outcome, and investing in securities always involves risk of loss.



Integrity Financial Planners

cb@integrity-fp.com
541-469-4080
www.integrity-fp.com

Advisor's Corner

Charles Blozinski, CFP offers his clients the advantage of over 25 years of experience in financial services. He provides to his clients independent, unbiased financial advice in a fee-only environment. Charles is President and CEO of Integrity Financial Planners. The firm is a registered investment advisor in the State of Oregon.

The Great Yield Chase

It is Prudent to Diversify Among Bonds

- ▶ Let's be honest, the bond market just isn't as exciting as the stock market; nor does it get the same attention. But bonds have a purpose in your portfolio: whether to provide income or stability, it's important to include this asset class.
- ▶ Every portfolio at Integrity contains some bonds.
- ▶ Whether they are government or corporate, the bonds in your Integrity portfolio are diversified.

With Treasury yields still relatively low and worry about the eventuality of rising rates ever present, many investors have been moving away from Treasuries and into other fixed-income sectors in their quest for income. Two fixed-income segments seeing activity from this migration are corporate and emerging-markets bonds.

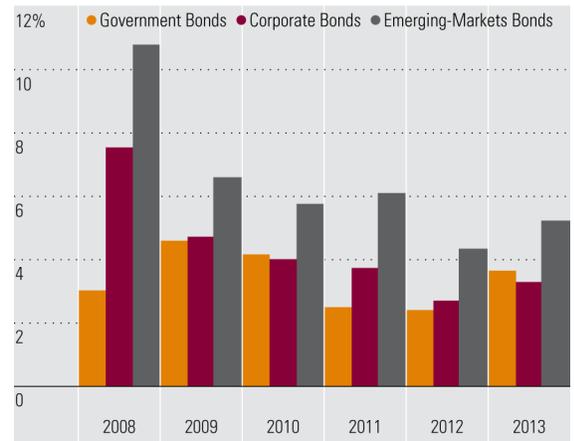
Corporate bonds: Many investors have bumped up their allocations to corporate bonds for reasons that are pretty straightforward. Company balance sheets are about as healthy as they've been for many years, with cash holdings high and default rates at multiyear lows. In addition to these attractive fundamentals, buying has been strongly encouraged by central bank policies, including the Federal Reserve's quantitative-easing programs. They have played a major role in suppressing agency mortgage and Treasury yields, which in turn has pushed investors to take on more credit risk in search of more yield.

Emerging-markets bonds: The trend of holding emerging-markets bonds has gained popularity in recent years. Again, investors have been given incentive to hold higher-risk assets because developed-markets central bank policies have pushed Treasury yields down. A byproduct of these central-bank policies is that assets have not only poured into U.S.-based investments but also into emerging-markets bonds of all kinds, including both sovereign and corporate sectors. Further boosting their attractiveness, emerging-markets credit ratings have been rising based on a number of factors, including economic structural reforms and growth rates that are meaningfully higher than in developed markets. To top it off, the underlying balance sheets of many emerging economies look increasingly appealing when compared with the debt-laden, major economies of the West.

With greater return potential comes greater risk. The ultimate questions for investors moving out of Treasuries are whether their investment alternatives will stand up to potential trouble down the road and whether their portfolios still line up with their risk and return expectations. There's a tension between trying to provide the best possible returns when things are

going well and maintaining the kind of portfolio that should provide better diversification in the case of volatile equity markets. In recent years, investor demand has significantly pushed prices up and yields down. Those new lower yield levels suggest that, even under the best circumstances, the prospect for future returns is muted. While currently attractive, there's reason to be wary of how these sectors will perform under stress scenarios. Most investors aren't expecting a repeat of 2008, when Treasuries rallied and risky assets sold off, but it's nearly certain that bumps in the road will appear at some point. It is important to be aware that a dearth of yield may be causing some investors to take on more risk than they realize.

Yields for Government, Corporate and Emerging-Markets Bonds



Diversification does not eliminate the risk of experiencing investment losses. Government bonds are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest. With corporate bonds, an investor is a creditor of the corporation and the bond is subject to default risk. International investments involve special risks such as fluctuations in currency, foreign taxation, economic and political risks, and differences in accounting and financial standards. Emerging-markets debt carries unique risks and may not be suitable for certain investors. Emerging-markets investments are more risky than developed-markets investments.

Data: Government bonds—20-year U.S. government bond; Corporate bonds—Barclays U.S. Corporate Investment-Grade Index; Emerging-markets bonds—Barclays Emerging Markets Aggregate Index.

Five Estate-Planning Tasks That You Shouldn't Put Off

Rest Easier

- ▶ The pun IS intended.
- ▶ I speak from personal experience: When your estate plan documents are in place and up to date, you just feel better.
- ▶ If you don't make plans for what you want, somebody is going to do it for you...and you may not like it.
- ▶ Believe it or not, this issue is much more important than your investments.
- ▶ I urge you to talk to me to help ensure you and your family are buttoned up from an estate planning perspective.

Keeping tabs on the estate-planning rules during the past few years has been a little like watching Olympic-level table tennis: The action moves quickly, and it's difficult to keep up. However, no matter how laws and rules change, there are a few basic tasks that are actually pretty evergreen and that everyone should execute. Five such estate-planning to-dos are outlined below.

1) Update Beneficiary Designations. Even people who have never set foot in an attorney's office may have laid the groundwork for an estate plan if they filled out beneficiary designation forms for their financial accounts. Those designations, in fact, trump other estate-planning documents when it comes to distributing assets, so it's worthwhile to periodically review them to make sure they're up-to-date with your current situation—if you've gotten married or divorced, for example. (How would your spouse feel if you inadvertently left your 401(k) account to your brother?) People who have drafted estate-planning documents such as wills should ask their attorneys to help them review beneficiary designations to ensure that they sync up with other estate-planning documents.

2) Designate Legal Guardians. Parents of young children should designate legal guardians who will look after their children if the parents should die or otherwise be unable to care for their minor children. It is important to focus the discussion on actual child-rearing abilities and willingness to do the job. What is not helpful is to get hung up on hurting anyone's feelings or bypassing friends or family members who might expect to be guardians but aren't the best choice. Most importantly, a guardian should be willing and able (emotionally and financially) to take care of your children if the need arises, so an essential step is to discuss the responsibilities with the potential guardian beforehand.

3) Create a Living Will and Last Will and Testament. A living will tells your health-care providers and your loved ones how you would like to be cared for if you should become terminally ill and unable to express your wishes yourself. It is called a "medical directive" in some states. This document details your views

toward life-support equipment. Not to be confused with a living will, a last will and testament details how you'd like your assets and possessions distributed after your death.

4) Draft Powers of Attorney. A basic estate plan should also address what would happen to your affairs if you are still living but incapacitated. A power of attorney is a document that specifies who will handle your affairs if you are unable to do so. You'll need to draft two separate documents: one that names your power of attorney for health-care decisions and another for financial matters (often called a durable power of attorney). The person you entrust with your power of attorney for health care will, ideally, live in close geographic proximity to you. The person you name on your durable power of attorney form should be detail-oriented and comfortable with financial matters.

5) Name an Executor. Your executor will gather all of your assets after you're gone and make sure they are distributed in accordance with your will. Ideally, your executor will be someone who's comfortable with numbers and good with details, and will also be able to find the time to work on your estate. It's common to name family members as executors, but in more complicated situations it might be preferable to use a professional, such as a bank trust officer, to serve as your executor. It's a good idea to tell your executor that you've named him or her, and also provide details on how to obtain access to important documents, such as your will and a master directory detailing all of your accounts.

This information is for informational purposes only and should not be considered as legal or financial planning advice. Please consult a legal and/or financial professional for advice specific to your individual circumstances.

Quick Facts: Retirement

Clients of Integrity: Feel good about yourselves.

- ▶ Most of my clients are Seniors; and most have saved, sacrificed and invested wisely for a comfortable retirement.
- ▶ As the facts point out, not everyone can say the same.
- ▶ I applaud and respect my clients for thinking long term and doing what is necessary along the way to have a comfortable retirement with out depending on others.

1. According to Aon Hewitt's "The Real Deal" 2012 study, an average full-career contributing employee needs 11.0 times pay at age 65, after Social Security, to expect to have sufficient assets to last through retirement. For example, if your salary is \$80,000, you will need to have accumulated \$880,000 by the time you're 65 and ready to retire.

2. In reality, the same employee is expected to have only 8.8 times pay in resources at retirement, which translates into a 2.2 times pay shortfall. To reuse the example above, this means you'd be \$176,000 short.

3. The 2013 Transamerica Retirement Survey found that the percentage of participants who have taken a loan from their 401(k) plan has increased from 16% in 2008/2009 to 21% in 2012, then slightly decreased to 17% in 2013.

4. Wells Fargo conducted a survey of 1,000 middle-class Americans. The study shows that across middle class members of all generations, only 24% are confident in the stock market as a place to invest for retirement. The apprehension about the market is stronger for those age 25 to 29, with 56% expressing fear of losing their nest egg. When asked if given \$5,000 for retirement where they would invest, 58% of those age 25 to 29 said they would invest in a savings account/CD.

5. Only 18% of workers are very confident they will have enough money to live comfortably in retirement (according to the EBRI 2014 Retirement Confidence Survey).

Sources: Aon Hewitt's "The Real Deal: 2012 Retirement Income Adequacy at Large Companies." "14th Annual Transamerica Retirement Survey of American Workers," Transamerica Center for Retirement Studies, July 2013. Wells Fargo news release, "Middle Class Americans Face a Retirement Shutdown," October 2013.

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Integrity Financial Planners

PO Box 4790
Brookings, Oregon 97415

cb@integrity-fp.com
www.integrity-fp.com

Tel: 541-469-4080