HD Wealth Strategies
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3rd Quarter

The Quarterly News from HD Wealth Strategies

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HD Community

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Allie DeYoung,
Financial Advisor, CFP ®, CPA

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Prepare now for a long, healthy, active life by eating right, exercising and including a healthy financial plan.

Steven Higgins, Financial Advisor, Principal

Outlook Lead Story

5 Tips to Consider Before Switching Jobs

Written by: Allie DeYoung, Financial Advisor, CFP®, CPA

1. Benefits: It's about more than just salary.
For many job seekers, the only number they're concerned with is the bottom line... what is my salary? But when comparing opportunities from a compensation perspective, remember to account for benefits such as health insurance, employer funded Health Savings Accounts, employer match in your employer-sponsored retirement plan, vacation days, etc. These benefits can be worth thousands of dollars and can turn a lower salary job with these benefits into a more lucrative venture than the higher salary job without benefits.

2. 401(k): What to do with it now.
There are several options for your 401(k) when you leave your employer: 1) You can leave it where it is, 2) roll the balance into your new plan (if it allows), or 3) you can roll the funds into your own IRA (Individual Retirement Account). According to the Bureau of Labor Statistics, the average worker has between 12-15 jobs during their lifetime. That is a lot of "old" retirement plans to keep track of. To avoid this potential record keeping nightmare, consider options 2 or 3. Rolling each account into your own IRA can help you avoid having to change your investments every time you switch jobs and potentially gives you more investment options to choose from.

3. Don't Leave Money on the Table: Are you fully vested?
Before leaving your current job, be sure to take a look at your retirement plan at work and any pension plan you may be eligible for. Specific to your employer's Plan Summary Document (available through your HR department), it is likely that your employer contributions to your retirement plan and eligibility for your pension plan is based on a vesting schedule. This means that the amount your employer has been putting into these plans for you is not necessarily yours until you've worked as an employee for a certain number of years. If you're close to vesting or becoming eligible for a pension, it might make sense to try to stay put until you reach that date. It could mean a lot more money coming your way in the long run.

4. Adjust your Budget: Control lifestyle creep.
If you're considering taking a position that will be a decrease in your income, maybe you're joining a start-up or following your dream, be sure to consider the new income in your current budget and make decisions of where you'll cut back once your income decreases. On the flip side, if your income will be increasing, be sure to increase your savings right away to avoid "lifestyle creep" where your needs and wants rise to meet your increased disposable income that's coming in. If you're not diligent, your lifestyle can increase in lockstep with your income, requiring you to always earn that higher income to provide for your lifestyle and likely work longer to save enough for retirement.

5. The Intangibles: Work/Life Balance, Opportunity to make a difference.
It's not all about the Benjamin's! Be sure to take a step back and evaluate what your potential job change will do for your work/life balance. The feel of a new work environment and employee culture is a huge factor in any job. Getting up and going to work in a place you want to be, doing what you enjoy, surrounded by people you appreciate can be priceless.

Steve Higgins
Principal,
Financial Advisor

The Broomfield Rotary Club

Post Presidency

I spent the last 12 months serving as president for the Broomfield Rotary Club. The year went by with great speed, and while I'm extremely thankful to have had the opportunity to lead the largest all-volunteer foundation in Broomfield, I admit that the task was a challenge. Our club is made up of leaders from all types of industries. CEOs, Police/Fire Chiefs, and the Mayor call themselves members of our club. We raise and distribute over $200,000 to the community annually. Needless to say the preparation for our weekly meetings, monthly board meetings, and regular committee meetings of all types is stressful. The executive types in our club expect quality preparation and rationalization for all ideas and decisions.

Nationally, service organizations are struggling to maintain membership and relevance. While this is also the case in Colorado, our club is unique in that we keep adding quality members who want to make a difference. The challenge can be finding common ground between new idea driven members and more senior members with time tested experience. As our community continues to change, we will need to be flexible and go where the need is. I don't believe it is the job of service organizations to define the need. Instead, our role is to meet needs where they are and deploy our most key resources: money and influence.

The fastest growing demographic in Broomfield is the age group 85 years old and up. Since the year 2000, people 85 and older have increased 600% as opposed to people ages 19 and under which have grown by only 24%. The change in community make up reveals needs that previously were met by senior programs. I have a hunch that those programs are getting stretched to the brink.

The Broomfield Rotary Club is one of the most nimble and effective organizations in Broomfield. I have no doubt that we will stand in the gaps in Broomfield and continue to deliver "Service Above Self."

Any opinions are those of Steve Higgins and not necessarily those of Raymond James. Raymond James is not affiliated with the Broomfield Rotary Club.

Live Long, Live Healthy

Does Your Healthy Lifestyle Pose Additional Risks to Your Financial Plan?

Steven Higgins, Financial Advisor, Principal

Planning for retirement requires an understanding of the risks and strategies to deal with things like market volatility, unpredictable investment returns, and unexpected health care costs. While we often focus on the role of investments, we also need to focus on other key factors that will impact how well your retirement plan will work for you.

The look of retirement is changing, HD client Megumi Kumano spends part of her retirement racing with her donkey.

Time is one of the most critical elements when considering income planning in retirement. Of course we all want to live long, healthy lives, but extending the time of retirement is arguably the most challenging risk to navigate. One for the greatest fears of retirees is that they will outlive their money. For decades the current investment models as they relate to retirement income have been designed around broad demographic averages.

The problem with applying investing concepts based on averages is that they inadvertently hide the risks for those people who experience lives well outside the averages. According to the Social Security Administration, since 1950 the average retirement age declined from age 68 to 62 by the year 2015. Over the same period life expectancy in the U.S., factoring out child mortality, increased from 71 years to 81 years (Bureau of Labor and Statistics). We can say that since 1950 the average length of retirement has gone from less than 3 years to 19 years. Needless to say, funding a 3 year retirement income with investments is very different than funding a 19 year retirement income plan. In the past, simply keeping your money safe was the priority, now most retirees will require their investments to grow in order to meet their retirement goals. Pre-retirement preparation and ongoing investment management will be more important than ever as simply putting your money in the bank will no longer do.

Does your healthy lifestyle increase your risk of financial pain during retirement?

There are countless benefits to enjoying a healthy lifestyle. Eating food that is good for you, being active, and avoiding big health risks can help you enjoy a long healthy life. Nowhere is this more evident than our home state, Colorado, often considered one of the healthiest states. In Colorado, healthy is a fashion statement.

Let's examine Broomfield County where our office is located.

Health Factor	United States	Broomfield, CO	Difference
Smoking	18% of People	12% of People	-33%
Adult Obesity	31% of People	18% of People	-42%
Physical Inactivity	28% of People	13% of People	-53%
Access to Exercise Opportunities	62% of People	99% of People	+60%

Paul Scott celebrated his retirement by riding his bike from the Oregon coast to the Maine Coast over 50 days.

All this healthy living is great right?

When it comes to retirement planning, living a long time is a challenge. MyStrategy Independence™ is our retirement planning tool that helps people understand their retirement plan. When developing a retirement strategy we consider longevity, spending, income, inflation, and investment returns. As we adjust the different variables, it is evident that the longer we extend the length of retirement,the less predictable we can be in regards to success of the retirement plan. In simple terms, if you have $100,000 and you want to spend $50,000 per year and you will live for 2 years, financially, you are going to make it. If you live for 5 years, you are in trouble as the investment return required to meet your goals is unrealistic.

As stated earlier, the average retirement period in the U.S. has increased over 600% since 1950. If you live a healthy lifestyle, you may live significantly longer than the average. Since the year 2000, Broomfield County experienced an almost 600% increase in residents over age 85, the fastest growing demographic. It isn't that Broomfield is a bastion for retirees, the growth has primarily been organic. People are simply living longer. People are also staying more active. Retirees are certainly not confined to the front porch or the "Lazy Boy." Activities, like running, golf, yoga, hiking, and other active endeavors are keeping retirees busy. So while people are living longer they are also staying active longer, allowing them to enjoy social activities and travel longer into their lives. Increased years of mobility means an increase in years of spending as well.

What can you do? We certainly are not advising our clients to abandon their healthy food and active lifestyles in an attempt to shorten the length of retirement. There are other adjustments that you should consider.

Baseline Scenario -
66 year old couple retiring now. Spending goal of $75,000 with 2.2% annual inflation. Each will receive $25,000 of Social Security benefits starting at age 66. ($50,000 of total SS Benefits). $750,000 total investments available to fund retirement(annual investment returns of 5.8%). Strategy assumes both will live to age 95. Probability of Strategy Success = 66%

Probabilities are based on Monte Carlo simulations. This is a hypothetical illustration and is not intended to reflect the actual performance of any particular security. Future performance cannot be guaranteed and investment yields will fluctuate with market conditions.

Possible Adjustments	Probability of Success	% Increase
Baseline Strategy	66%	-
Work 3 more years	76%	10%
Increase Retirement Savings by 10%	75%	9%
Part time Income of $15k for 5 years	73%	7%
Decrease Spending by 10%	87%	21%
Make all 4 Adjustments	96%	30%

No financial plan can predict the future and every scenario will experience surprises, both good and bad. It is important to remember that your retirement life is no different than your working life. Unforeseen expenses are to be expected and flexibility in your budget will give you greater ability to deal with them. It is crucial that you develop a strategy that helps you understand the nature of your expenses, income, and investments. Heading into retirement without a strategy and process to review and maintain your strategy could lead to a devastating financial reality. Our process MyStrategy Independence™, is designed to model and maintain your retirement income over time. Investments are important; however, understanding your risks is the most important aspect of developing your retirement strategy. Live Long, Live Healthy!

ALLIE DEYOUNG
Financial Advisor, CFP®, CPA

2016 Bike MS Recap

Another GREAT year for Team HD!

This marks the 6th year that we've had a team ride in the Colorado Bike MS event. It was another great ride with a very fun group of riders. We had a lot of new faces on the route this year with half of our team joining us for the first time. Every rider hit the ground "running" from a fundraising stand point and we have raised over $12,000 just this year to fight Multiple Sclerosis. The team has raised a total of $83,124 the past 6 years!

Each year I am blown away by the generosity of our community. It is truly incredible what can be done when you call on your friends, they call on theirs, and we all rally together toward a common goal. We're so proud to be a part of the fight against Multiple Sclerosis.

Thank you to everyone who rode, donated, or came to our different fundraising events throughout the Spring, your participation made a difference. This won't be a cause we support forever, because they will find a cure, and we will all have been a part of it.

See you next year!

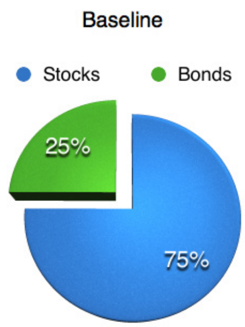
Does It Really Matter?

Allocation and Diversification in Investing

Allie DeYoung, Financial Advisor, CFP ®, CPA

You can't watch TV or open a magazine without seeing a financial advisory firm such as Edward Jones or Raymond James - or even HD Wealth Strategies - with an ad or article talking about the importance of allocation and diversification of investments. So, you may be wondering if they're just trying to sell you something or if these things actually matter to you and your family as you accumulate or maintain your wealth over time.

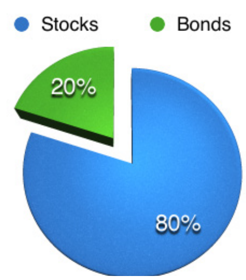
The Baseline:



Let's say you have the allocation that's appropriate for you, which is hypothetically a portfolio of 75% stocks and 25% bonds.

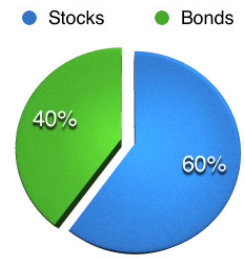
Because all markets move every trading day, this breakdown is likely only this EXACT breakdown for a short period of trading days. Markets vary, economics change, presidential nominees become presumptive, and those investments likely do one of two things: they go up or they go down.

Bull Market: They Go Up



If the Stock Market goes up 30% (such as in 2013), 75% of your portfolio (the stocks) could potentially increase by 30%, and bonds may stay put: now you're at 80% stocks and 20% bonds. If you don't rebalance and recognize some of your gains and purchase more bonds for stability, you're taking on too MUCH risk (stocks are more volatile than bonds), and you could be caught off guard with "statement shock" if the stock market reverses direction and declines. Remember, ***sell high.***

Bear Market: They Go Down



If the Stock Market goes down by 50% (in 2008), 75% of your portfolio could potentially decline by 50%, and bonds stay put: now you may be at 60% stocks and 40% bonds. If you don't rebalance and purchase stocks, you're taking on too LITTLE risk for the recovery. You took on 75% stock risk heading into the recession and just 60% stock risk heading into the recovery. A full 20% less. You're not positioned to regain what you lost, making the trek back more difficult. Remember, buy low.

Now these are extreme one-year examples; however, imagine an investment account that was set up years or even decades ago. Imagine the disarray and potential opportunities lost. Be sure to pay attention to specific balances and breakdowns. Creating the initial allocation that's appropriate for you is important; however, maintaining that balance and adjusting the balance as markets move and your life changes could prove to be the most important for accumulating and maintaining wealth over time. Talk to your financial advisor about reviewing and rebalancing your asset allocation. This rebalance technique also helps investors to continue to buy low and sell high.

This information does not purport to be a complete description of the securities, markets, or developments referred to in this material, is not a complete summary or statement of all available data necessary for making an investment decision, and does not constitute a recommendation. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any opinions are those of the authors and not necessarily those of RJFS or Raymond James. Examples are hypothetical and for illustration purposes only. Actual investor results will vary. Please note that rebalancing a non-retirement account could be a taxable event that may increase your tax liability. Diversification and asset allocation do not ensure a profit or a loss.

While investments remain the engine, it's the quality of the strategy itself that is most important.

The advisors at Higgins & DeYoung are committed to being a firm that crafts strategies and manages investments to reach goals for our clients.

Disclaimer Corner

The DOW Jones Industrial Average (DJIA) known as "The DOW" is an index representing 30 stocks of companies maintained and reviewed by the editors of The Wall Street Journal.

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