

NEWSLETTER FIRST QUARTER



2020

IT'S MORE THAN THE MATH. IT'S THE PATH.



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This First Quarter Newsletter Covers:

- Elder Care Panel Discussion
- Imperfect vision. Markets in 2020.
- Long-term care insurance is like a cell phone

ELDER CARE PANEL DISCUSSION YOU'RE INVITED!

This event may be especially useful if you:

- Are 60+ years old
- Take care of an elderly parent
- Might someday have responsibility for a senior

BRUNCH!

Sunday, January 26th, 2020

10:00am to 12:00pm
Maggiano's in Bellevue

Located on the ground floor of Lincoln Square – near the corner of Bellevue Way and NE 8th St. Parking is free on Sunday in the underground garage.

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ELDER CARE PANEL DISCUSSION

(Continued from front page)



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Through real world stories we'll answer questions like these:

- How do I communicate my wishes for end of life care?
- Who can make medical decisions about me if I'm unable?
- How do I choose between Medigap and Medicare Advantage?
- How can I keep my medical expenses manageable in retirement?
- How can I pay for long-term care expenses and leave money for my surviving spouse?
- How can gifting help me pay less Washington estate tax?

There will be plenty of time for your questions.

This event can help you make more informed choices, better prepare for end of life, and have constructive conversations with family.

RSVP to Krista, Krista@spectrumfp.net. 

PANELISTS

Jacob Menashe JD, attorney and partner at Hickman Menashe, P.S.

Jacob and his firm work with clients from all walks of life. He enjoys meeting people, learning their stories, and helping them put basic planning in place that will make a difference for themselves and their loved ones.

Jacob is a past Chair of the Elder Law Section of the Washington State Bar Association. He regularly speaks before State and local bar groups, estate planning councils, and senior groups on topics ranging from Medicaid planning to Special Needs Trusts. Jacob holds a bachelor's degree with distinction from Stanford University and a JD from UC Hastings College of the Law, San Francisco.

Pat Roley, Medicare broker with New Generation Strategies

Pat is Your Medicare Coach. He has more than twenty years of experience in insurance. By getting to know his clients he identifies the right policy that is the best fit for them. He assists with new enrollments, reviews of current policies, and can help client with Special Needs.

Doug Ewing JD, CFP, Vice President, Nationwide Retirement Institute

Doug has worked in the financial industry since 2003. He educates clients, advisors, plan sponsors and plan participants about the latest in retirement income solutions. He speaks publicly throughout the Western U.S. about long-term care, health care, Social Security, and tax-efficient retirement income.

RETIREMENT CONTRIBUTION LIMITS FOR 2020.

IRA contribution limits are unchanged from 2019. 401(k) contribution limits increased by \$500.

\$19,500

Maximum contribution limit for employees to 401(k) retirement plans and most other common plan types. (Contact SFP to see if yours qualifies for this maximum.)

\$26,000

for individuals aged 50 and over

\$6,000

Annual contribution limit to IRAs

\$7,000

for individuals aged 50 and over

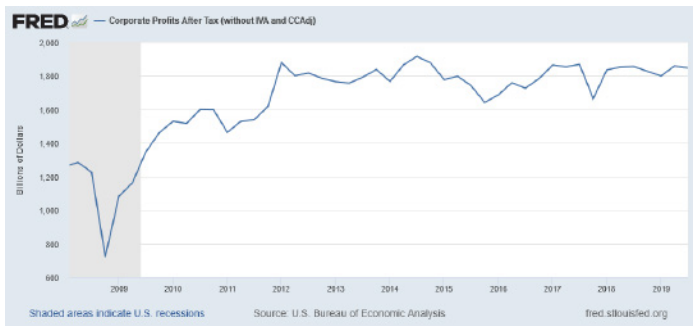
PERFECT VISION: MARKETS IN 2020

As you know, we don't have an infallible crystal ball that tells us where or when to invest in the coming year or when to run for the hills. However, we do have tea leaves of a sort. We read the forecasts of experts,* both well-known and less well-known, and track economic and market indicators from a variety of sources to inform any adjustments we may make to investment portfolios during our annual top-to-bottom review. Here is a sampling of a few indicators and why they are useful. We will review our interpretation of these indicators and any asset allocation changes at your annual meeting.

* Some of our favorites are the Commonwealth investment team, research analysts at Fidelity, Capital Market forecasts by JP Morgan, Vanguard and Fidelity, the Federal Reserve, the Bureau of Labor Statistics and the Bureau of Economic Analysis, and the International Monetary Fund.

Corporate Profits: 2008-2019

Higher corporate profits (or the expectation of higher profits) generally lead to increases in share prices. In this graph, total amount of profits has been mostly flat since 2012, but you can see an uptick compared to 2017. Note the precipitous drop during the Great Recession.



Source: U.S. Bureau of Economic Analysis, Corporate Profits After Tax (without IVA and CCAAdj) [CP], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CP>, December 19, 2019.

Personal Consumption: Q4 2014 - Q3 2019

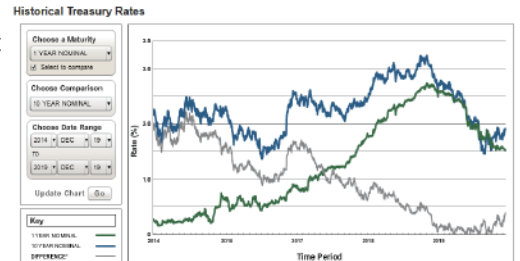
Personal Consumption, money spent by consumers (not government or businesses) accounts for almost 70% of the U.S. economy. So the way it's trending can give an idea of where the economy as a whole is headed. In 2019 personal consumption continued to grow but at a much slower pace than in 2018. We'll be keeping an eye on this in 2020.



Source: U.S. Bureau of Economic Analysis, Personal Consumption Expenditures [PCE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PCE>, December 19, 2019.

Interest Rates: 12/19/2014 - 12/19/2019

Interest rates represent the cost of money. When rates are high, money is expensive. Low rates make for cheap money. The falling rates for 2019



in this graph have likely influenced the increase in housing starts in the graph below.

Low interest rates also make the potential return on stocks look more attractive than the potential for bonds, which can lead to an increase in the stock market.

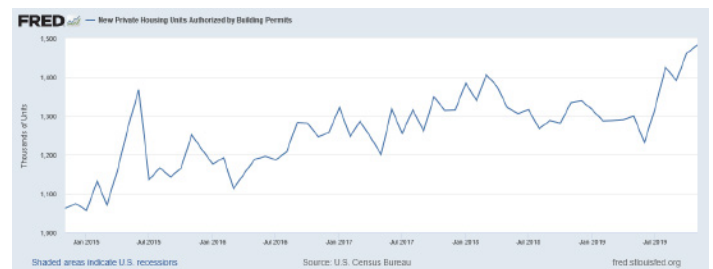
This graph also shows how the gap between 1-year rates and 10-year rates fell to zero and below in 2019. In the past, this dynamic has often preceded recessions.

Source: <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/Historic-LongTerm-Rate-Data-Visualization.aspx>

Housing Starts: Q4 2014 - Q3 2019

Housing starts are considered a leading indicator, one that occurs prior to or at the beginning of an economy wide trend. New houses trigger a lot of additional spending for things like furniture, appliances and alarm systems. So, the impact of housing on the economy as a whole is significant.

This graph shows the number of new permits issued, so all these permits will become construction projects and then new homes in the near future. Permits have been on the rise in 2019 indicating growth in this important sector in 2020.



Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Private Housing Units Authorized by Building Permits [PERMIT], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PERMIT>, December 19, 2019.


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Presidential election years

During the 23 presidential election years since 1928, the S&P 500 has gained value in 19 of them. That's 83% of the time. Of the 92 years from 1926 to 2017, the S&P 500 was positive 74% of the time. The difference isn't large enough and the sample size is too small to draw any conclusions about election years. It's more likely that a presidential election is one of thousands of factors that may influence stock market performance.

Source for S&P returns: ICMA Retirement Corporation using data from Morningstar Direct and First Trust using Morningstar and Ibbotson Associates data.

Commonwealth Financial Network® 2020 Expectations

- GDP Growth: 1.25%–1.75%
- Inflation: 1.5%–2.0%
- Federal Funds Rate: 1.25%–1.5%
- 10-Year U.S. Treasury Yield: 1.75%–2.25%
- S&P 500 Index: 2,900–3,200 

Source: Brad McMillan, CFA®, CAIA, MAI, managing principal, chief investment officer, at Commonwealth Financial Network®.

LONG-TERM CARE INSURANCE IS LIKE A CELL PHONE

In the early 1980s Motorola sold the first widely available cell phone, the Dynatac. It weighed 2.5 pounds, was 9-inches tall (excluding the rubber antennae), had 30 minutes of battery life, and sold for \$4,000. (For a prescient blast from the past, search YouTube for "1980s Motorola DynaTAC Promotional Video". "First Cell Phone was an Epic Troll" also provides interesting cell phone trivia.) Today, our phones are considerably more useful and less expensive. Similarly, long-term care insurance has also come a long way since the 1980s.




40 years ago the first cellular phone was invented by Martin Cooper of Motorola ... and it was almost the size of a shoe box

Among the options available today for long-term care insurance is a type of policy that has a fixed premium usually paid in one lump sum. (Although the payment can be spread out for up to 20 years.) From day one that the policy is active, the client is covered for an amount of long-term care insurance of approximately two to three times the amount of premium paid. For example, a \$50,000 premium might provide \$150,000 of long-term care benefit right away. Importantly, the long-term care benefit amount increases every year

to provide protection from inflation. This is important because these costs will almost certainly be higher in the future than today.

Key benefits of this type of insurance:

- **Refundable.** You can get your money back if you change your mind. (specifics differ by provider)
- **Indemnity.** You receive benefits with a doctor's note. You do not have to submit receipts for reimbursement.
- **Death benefit.** If you never use the long-term care benefit, your beneficiaries receive a death benefit.
- **Certainty.** You know total cost from day one. You do not face the uncertainty of increasing premiums.
- **No fuss.** Once the policy is paid for, it does not need any further management by you.

We know that preparing for long-term care expenses is an essential part of every retirement plan. If your image of long-term care insurance is along the lines of the Motorola Dynatac, consider exploring more modern options. 

Source for Motorola cell phone history: https://americanhistory.si.edu/collections/search/object/nmah_1191361

Note: Benefits described here are for illustration only to show the approximate order of magnitude of the benefit. They do not represent an actual policy. LTC benefit amounts are determined on an individual basis and differ by insurer and contract: eligibility is subject to health underwriting.

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