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5 Steps to Create an Investment Plan

Like anything in life, having a plan for your investments will help you reach your investment goals. Below are five steps for crafting your investment plan.

1. Determine Your Goal

Every good investment plan begins with a clear goal in mind. Ask yourself: "Why am I investing? What do I hope to do with that money?" For example, you might invest to: fund a child's college education, retire comfortably, buy a house, start a new business, or leave a charitable bequest to a favorite cause.

Write down your investment goals. Make them as specific as possible. Think about the kind of lifestyle you want in retirement, the cost of your dream vacation home, the cash you'll need to start your business, or the cost of tuition where your children might go to college. Write down a realistic estimate of how much you think you'll need. Making these estimates can be challenging, but it's an essential investment planning step. After all, if you don't know where you're going, you'll never get there.

2. Decide on Your Time Frame

After you outline your goals, establish your time frame for investing. Typically, your goals will fall into one of three categories:

- **Short term:** Short-term goals are those you expect to achieve in five years or less.
- **Mid term:** Mid-term goals are those you expect to achieve in five to 10 years.
- **Long term:** Long-term goals are those you expect to achieve in more than 10 years.

Your investing time frame has a direct relation to the investments you'll choose. Generally, the shorter your time horizon, the less risk you want to take. If you will need your money in three years to pay for your daughter's college education, putting all your money in riskier investments is probably not wise, as the chances of losing money are greater. Instead, less-risky

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Distributing Your Estate to Grown Children

When your children were young, your primary concern was probably how to provide for them in the event you and your spouse died. Even though they may now be grown, your children are probably still the center of your estate plan. Just because they are adults doesn't mean you have to leave their entire inheritance to them outright. Consider these factors first:

- **Do you want to distribute your estate gradually?** If substantial assets are involved, you may want to set up trusts to distribute your assets gradually, such as in thirds when each child reaches age 25, 30, and 35. You can always give the trustee power to make early distributions for specific circumstances.
- **Have you selected a trustee carefully?** If trusts are involved, you want a trustee who is impartial and will deal fairly with all your children. Think twice before naming one of your children as trustee. One sibling in a position to decide what happens to another sibling's inheritance can cause disagreements.
- **Have you thought about the consequences of a child**

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5 Steps

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investments like bonds will likely make up a larger portion of your portfolio. But if you're investing for the long haul (for a retirement that's 30 years away), you can invest in higher-risk investments, since you'll have more time to recover from a loss.

3. Evaluate Your Tolerance for Risk

All investments come with risk — the chance you could lose your money. But riskier investments also come with the possibility of greater return. As an investor, you must decide how much risk you're willing to accept. Your personal risk tolerance is closely related to your goals and time frame, as well as your experience with investing and feelings about the possibility of losing money.

4. Decide How Much to Invest

Once you've considered your time horizon, goals, and risk tolerance, you can consider how much to invest. You should keep a portion of your savings in a stable, easily accessible account to use for emergencies and other immediate needs.

Once you have the funds for your initial investment, you'll need to decide how much you want to invest on an ongoing basis. This number will be determined by your budget, investment goals, and time frame. For smaller, short-term goals, determining ongoing investment amounts is fairly easy. If you want to buy a home in five years, you might open an account with $2,000 you've already saved and then invest $400 a month for the next five years.

Deciding how much to invest for longer-term goals can be more challenging. When saving for retirement, you'll need to consider how much yearly income you'll need, your anticipated investment returns, when you want to retire, how long you can expect to live, the impact of inflation, and the money you'll receive from other sources like Social Security. It can be a complicated equation, which is why many people turn to a financial advisor for help running the numbers.

5. Choose Your Investments

Given the thousands of possible options, choosing investments can be overwhelming. But completing the first four investment planning steps should help you make those decisions. Again, your goals, risk tolerance, and time frame will point you in the right direction, such as toward target-date funds designed for retirees or college savers, or a money market fund for short-term goals. But if you're baffled by all the options, it's always a good idea to seek a second opinion. Please call if you'd like help with your investment plan. ❍❍❍

Don't Make These Selling Mistakes

An important part of any investment strategy is developing a methodology for ultimately selling your investments. Unfortunately, many investors sell based on emotional factors, making one of several mistakes:

- ❍ **Holding on to an investment with a loss.** Psychologically, it's difficult for investors to sell an investment with a loss. Many prefer to wait until the investment at least gets back to a break-even level. Take a hard look at the investment and consider selling if you can reinvest in an investment with better prospects.
- ❍ **Hanging on to capture more gain.** When an investment has increased dramatically, you may be reluctant to sell, even if you feel its price has gone too high too fast. There's always the risk you'll sell and the price will keep going up. But sometimes it's best to protect your gains.
- ❍ **Not setting price targets.** One way to take the emotion out of selling is to set high and low price targets for reevaluating an investment. You don't have to sell when the investment reaches those targets, but at least review whether you should sell. Sticking with rigid rules for selling when an investment declines by a certain percentage can help ensure you sell before incurring substantial losses.
- ❍ **Trying to time the market.** Even if the stock market is following a general trend, there will be up and down trading days. Trying to buy and sell stocks based on daily fluctuations is difficult.
- ❍ **Worrying too much about taxes.** Taxes can consume a significant portion of your investment gains. Even if you have long-term capital gains, up to 20% will go to the federal government in capital gains taxes. However, avoiding taxes may not be a good reason to hold on to an investment. There are typically strategies that can be used to help offset the tax burden, but there's not much you can do about a loss in investment value. If it's time to sell an investment, you should probably do so.
- ❍ **Not paying attention to your investments.** Your portfolio needs to be evaluated on a periodic basis or you could miss signals that it may be time to sell. You should reevaluate an investment when the company changes management, the company is acquired by or merges with another company, a strong competitor enters the market, or several top executives sell large blocks of stock. ❍❍❍

Distributing

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divorcing? You probably don't want a portion of your assets distributed to an ex-daughter-in-law or ex-son-in-law, so special provisions may need to be added.

❍ **Have you considered how assets will be distributed among children?** Perhaps one child is better off financially than your other children. Do you divide your estate equally or give less to the financially well-off child? Children often feel a right to an equal share of their parents' estate, even if they have a substantial estate of their own. If you decide to make unequal distributions, be sure to explain why personally or in a letter left with your estate-planning documents.

❍ **Do you need to make special distributions to even out inheritances?** Perhaps you have paid all college costs for some children, while other children have not attended college yet. You may want to ensure that all children receive a college education, and then distribute the rest of your estate equally.

❍ **Should you coordinate your estate plan with your children's estate plans?** If your children have substantial estates of their own, it may not make sense to leave additional assets to them. They may prefer those assets go directly to their children, helping to minimize family estate taxes.

❍ **Have you explained the need for estate planning to your children?** Especially if you are leaving a substantial estate to your children, they may need to plan their own estates. You don't need to dictate what they should do with their estates, but gently remind them why they need an estate plan. After major life events, such as marriage, divorce, or a child's birth, remind your children to revise their plans. ❍❍❍

4 Steps to Create a Budget

Your budget holds your savings plan together and is the key to maintaining healthy savings. A budget also shows you where your money is going every month, so you can ensure you are bringing in more than you are spending and saving enough to meet goals. Here are four steps to creating a budget:

1. **Track where your money goes —** If you don't know already, it may take 3–4 months for you to get a really good idea of where you spend money and how much you spend. You can track your expenses using your bank statements, receipts, or logging them in a journal or smartphone app. Add up the total for each month and then average it out. This will give you a good base to start building a budget.

2. **Put your budget on paper —** Once you've tracked your expenses, use a spreadsheet or online/mobile application to put your budget on paper. In the expenses column, include everything you spend money on: groceries, gas, housing, clothing, entertainment, gifts, and so on. In another column, input your income. If you have a salary, you can input how much you receive each paycheck; if your income varies, you can use the average of the last three months. Subtract expenses from income to see how much money you have left every month. If you have a negative number, you'll need to make some budget changes. If you have a positive number, that can be the amount of money you save.

3. **Keep looking for ways to increase your savings —** Almost all expenditure categories offer potential for savings. With essential expenses of fixed amounts, such as your mortgage, taxes, and insurance, you may be able to refinance your mortgage, find strategies to help reduce taxes, or comparison shop insurance to reduce premiums. Essential expenses that vary in amount, such as food, medical care, and utilities, can usually be reduced by altering spending or living habits. For instance, you can actively shop for food with coupons, exercise to get in better health, or put energy-saving lightbulbs through your house. Discretionary expenses, such as entertainment, dining out, clothing, and travel, typically offer the most potential for spending reductions.

4. **Reevaluate —** It is critical to reevaluate your budget after the first few months to ensure it fits your needs and goals. If you find you are continuously spending more money than budgeted for necessities such as gas, groceries, or school supplies, adjust your budget. Once you get past the first few months with a new budget, reevaluate every six months or as needed. Anytime your income changes, adjust your budget. Anytime you add or get rid of an expense, adjust your budget.

Having a budget is key to saving money. Without one, it is easy to spend money blindly. Please call if you'd like to discuss this in more detail. ❍❍❍

Financial Data

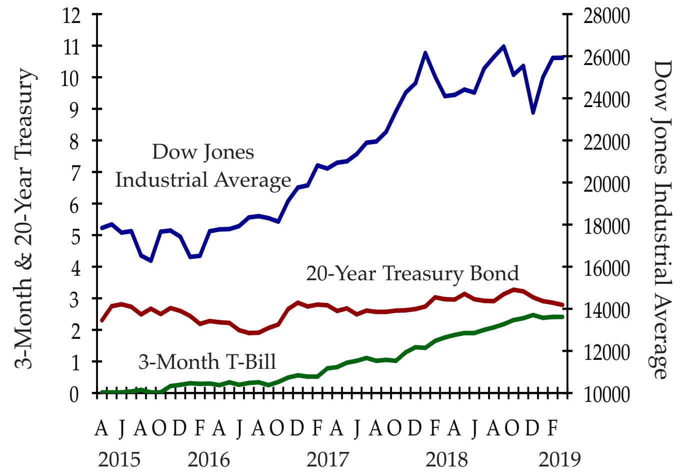
Indicator	Jan-19	Feb-19	Mar-19	Dec-18	Mar-18
	Month-end				
Prime rate	5.50	5.50	5.50	5.50	4.75
Money market rate	0.59	0.61	0.59	0.56	0.35
3-month T-bill yield	2.38	2.41	2.41	2.47	1.76
20-year T-bond yield	2.91	2.86	2.79	3.03	2.97
Dow Jones Corp.	4.16	4.08	3.74	4.40	3.70
30-year fixed mortgage	4.11	4.00	3.60	4.16	4.01
GDP (adj. annual rate)#	+4.20	+3.40	+2.20	+4.20	+3.20

Indicator	Jan-19	Feb-19	Mar-19	YTD	12-Mon.
	Month-end			% Change	
Dow Jones Industrials	24999.67	25916.00	25928.68	11.2%	7.6%
Standard & Poor's 500	2704.10	2784.49	2834.40	13.1%	7.3%
Nasdaq Composite	7281.74	7532.53	7729.32	16.5%	9.4%
Gold	1323.25	1319.15	1295.15	1.1%	-2.2%
Consumer price index@	251.23	251.71	252.78	0.3%	1.5%
Unemployment rate@	3.90	4.00	3.80	2.7%	-7.3%

— 2nd, 3rd, 4th quarter @ — Dec, Jan, Feb Sources: *Barron's, Wall Street Journal*

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

April 2015 to March 2019



Past performance is not a guarantee of future results.

News and Announcements

What Happens to a Beneficiary's Share If He/She Dies before You?

If one of your beneficiaries dies prior to you and you have not updated your will or trust, there are several scenarios of how that could play out depending on what is, or isn't, stated in your will.

Bequest Lapses — Let's say your will states that John is to receive half your estate if he survives you. If he predeceases you, his share of the estate will lapse and become what is known as the estate's residuary, or what is remaining after all of the specific bequests are made. Typically, the residuary of the estate will be given to the other surviving beneficiaries.

Per Stirpes Designation — Per stirpes means by roots. If your will states that Bob is to receive 20% of the estate if he survives you, but he doesn't survive you, per stirpes, his portion will be given to his heirs.

Sometimes it can be a little more complicated. Let's say Bob and his wife had two children and both his wife and one child are deceased. The deceased child also had one living child. In this case, half of Bob's 20% will be given to his surviving child and the other half will be given to the deceased child's living child, who would be Bob's grandchild.

State Intestacy Laws — If your will states that John is to receive 100% of your estate, but John predeceases you, and there are no other beneficiaries or directions, each state has an intestate succession as to who will inherit the estate. The estate will pass to your closest kin based on that state's law. John's death made the will void, so your next closet relative will inherit your estate.

Update Your Will or Trust — These scenarios point out the importance of keeping your will or trust updated, especially after a beneficiary has died. It is also important to provide specific directions of succession for your estate, so that your wishes are clear. ❍❍❍ FR2018-1217-0217

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