Volume 19
Issue 1

CIR Tracking
249297

TheLoop

An Insight Financial Advisor Newsletter

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Let's take a quick look at what happened.

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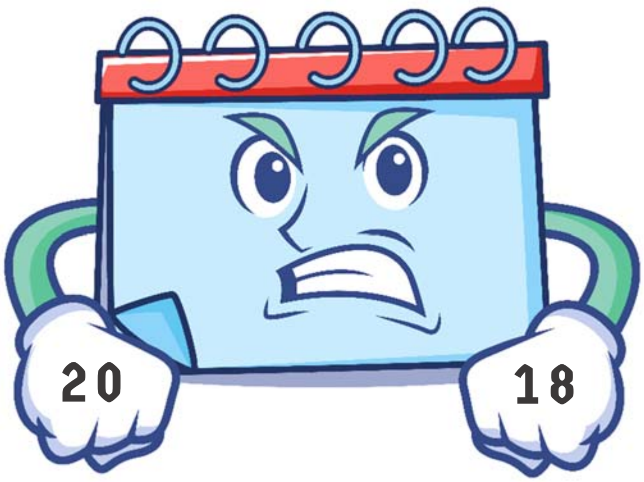

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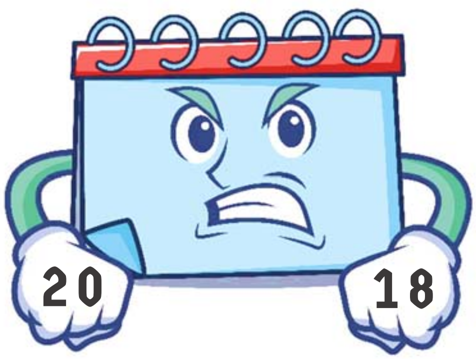
2018 … Ugh

Written by: Heather N Calmes (247554)

You may have noticed 2018 was a year… obviously it was a year, but I mean a *YEAR.*



Let's take a quick look at what happened.

"The Stink Market"

The market in 2018 was such a stinker, am I right? We found the S&P 500's highest point ever in September and then, despite our outrage, the growth sputtered.

We started our year with optimism as the stock market kicked off 2018 by shooting up nearly 7.5% (199 points) by the end of January!

However, as we've been saying for some time – volatility and market corrections are coming. Indeed about 10 days later we saw a correction, which is a drop of 10% or more.

Source Yahoo Finance (https://finance.yahoo.com) S&P 500 Jan – Dec 2018

The rest of 2018 did its best to remind us volatility is a thing and it happens constantly whether we like it or not. I counted 4 "hiccups" in the market in 2018 – when the market gives everyone heartburn and then pops up… you know, like a hiccup. (Market "hiccups" maybe my own made up term, but I think it's incredibly accurate.) In this instance each hiccup was about a 6.5 – 7% drop.

A 7% drop in the market might feel like an awful lot but it's important to remember the average intra-year decline is 13.9% (over the last 39 years), meaning the market usually drops about 14% at some point each year. When taken in context, the 7% drops don't seem as bad.

Despite our hopes and dreams, we caught a few more hiccups and a correction in December that lead the year to end down 4.38% total including dividends (clients with diversified portfolios were likely down more). This is disappointing, of course, but keep in mind the fantastic year we had in 2017 – "The market" offered up returns in 2017 of about 21%!

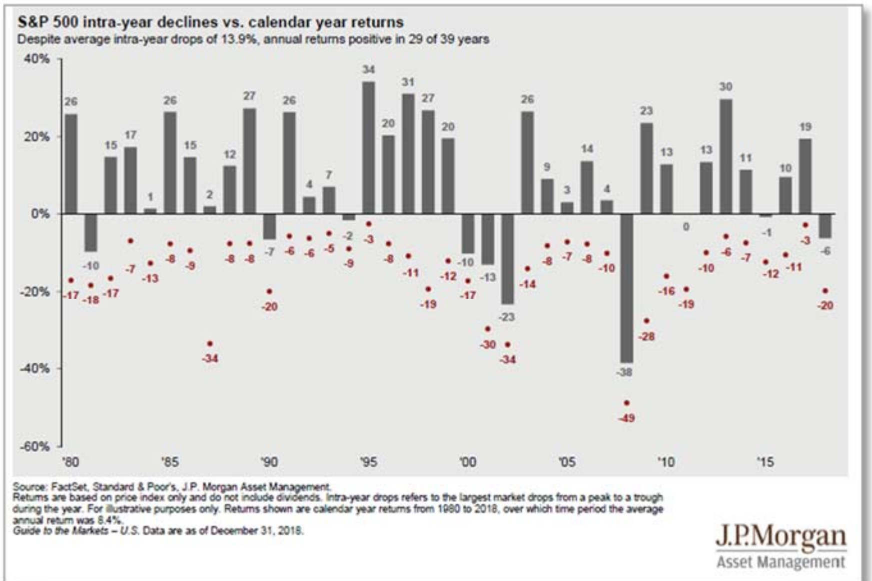
While the performance in 2018 was disappointing, the market is still rocking a total return of almost 16% since January 1, 2017, or an average of about 8% per year when annualized for 2017 and 2018.

Remember, one stinky year does not break the bank.

The Return of Volatility

The one thing 2018 did succeed at was volatility. We have had an abnormally quiet go of it for some time now, but it looks like the smooth ride is over. We will have to retrain our stomachs to handle the regular ebbs and flows of the market.

It's easy to forget volatility after it's passed, so take a look at our most beloved "red dot" chart below from the folks at JP Morgan.

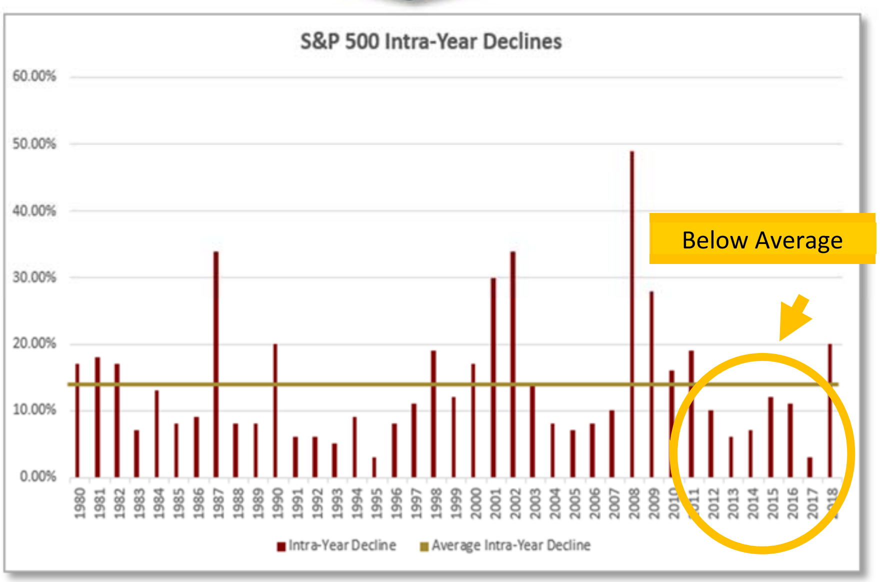


All those pesky red dots represent the intra-year declines. Those grey bars represent how the market ended the year. So, at some point in 1980 there was a decline of 17%, but ended up 26% at year-end.

The take-away?

1) The average intra-year decline is almost 14%
2) 29 out of 39 years ended in positive territory

Here is another way to look at the "red dots"



Data Source JP Morgan Asset Management S&P 500 intra-year declines vs. calendar year returns chart.

When we chart the "red dots" this way you can see that we've had a handful of years of below average intra-year declines/volatility. This can make us comfortable and lead us to forget how it actually feels to invest.

When volatility kicks up you will see lots of talking heads on TV telling you everything is falling apart, but now you know more than any of them and can observe market movement with perspective on your side.

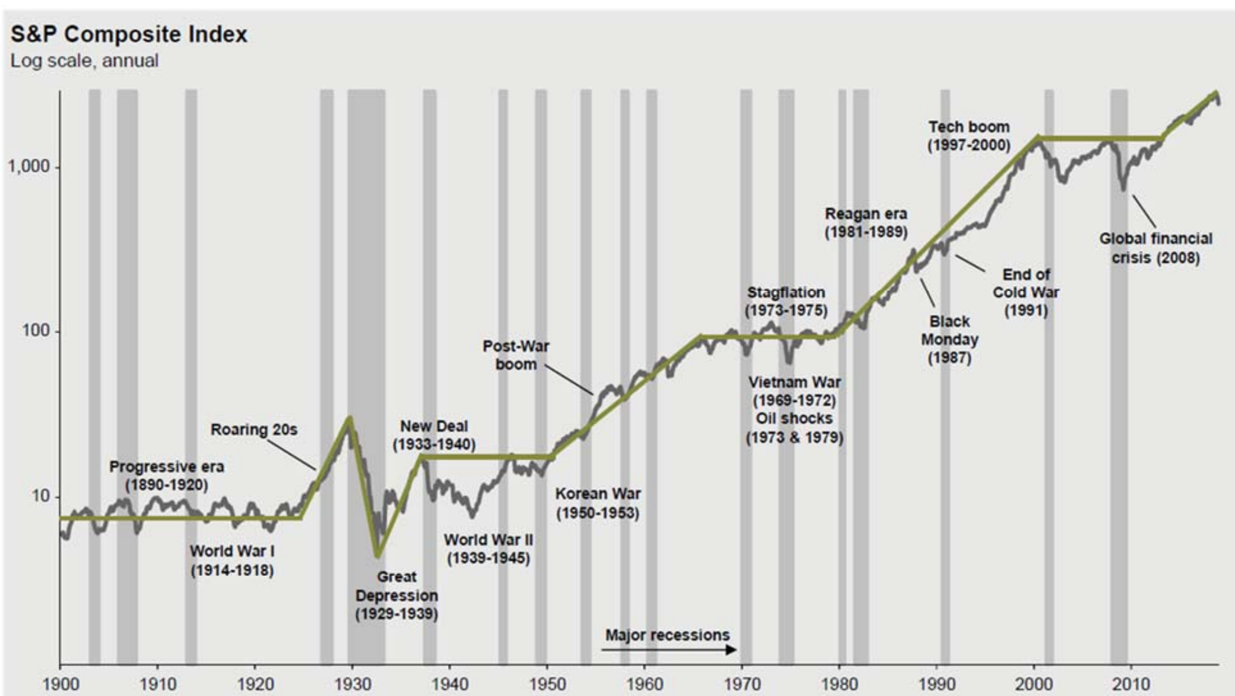
By the way, market volatility does not stop or keep the market from growing. For example, we experienced both a correction (-10% or more) and a "hiccup" (-7%) in 2018 before the market hit its highest level ever in the history of mankind!

Keeping your Long Term Plan in Mind

So, I've told you last year was a stinker and volatility is increasing… and then I say don't panic. Why not? It seems the reasonable thing to do.

We don't panic because we invest with a long term plan in mind. While several investment styles exist, we believe you'll receive the best result if you have a plan and stick to it. An ***average*** amount of market volatility does not give us anxiety because we are not on the trading floor shouting out "BUY!" and "SELL!" like you see in the movies and the news clips of Wall Street. We buy long term investments with the intention of holding them in the account and allowing them time to grow.

I noted above that last year we had a correction and hiccup before the market reached an all-time high… but remember, we've also had "The Great Recession", and the tech bubble burst, and the "Great Depression", and … , and … , and … , before we reached the all-time high on the S&P 500. Past performance never guarantees future returns; however, it is useful for our nerves to note that the stock market has grown consistently throughout the years.



Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.
Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative purposes only.
Guide to the Markets – U.S. Data are as of December 31, 2018.

J.P.Morgan
Asset Management

2019 Approach

After a year like 2018 many people might expect to make a change or a fix, but as noted above

- We believe the best results come when we stick to a plan.
- Market volatility is within an average range (nothing is "broken" despite the disappointing returns.)

So what will we be doing for our clients in 2019?

- Review your long term investment plan to ensure it is still in line with your life and future goals.
- Help you stick to your plan when volatility shakes you up.
- As always, continue to look for opportunities for rebalancing as needed to ensure no one asset class is over weighted.
- Review essential administrative items such as Beneficiary Designations.
- All other services included in our Cc Update System

In addition I promise to go shopping to try and boost the market for you… no guarantees.

This article was written by
Heather Calmes
Marketing & Education

You can't trust your Trust with everything

Written by: Heather N Calmes (248782)

Your Trust document can lull you into false sense of being prepared. And while a Trust document is an important thing to have (along with other estate planning documents such as Health Care Directives, Power of Attorney, etc.) many people think that it does more than it actually does. The two biggest things to note are

1. Your Trust documents do not have any control over your IRA/retirement accounts

2. Listing something in your Trust document does not mean your Trust owns it

Let's take a closer look at these two misconceptions, and maybe find something out that you didn't know you didn't know.

"My IRA Beneficiaries are in my Trust"

Your Trust document does not have any control whatsoever over your retirement accounts. So, while you do select beneficiaries/heirs within your Trust document, you are only selecting those who will benefit from the Trust owned assets.

Your retirement accounts, including IRAs and 401(k)s, have their own governing documents (an adoption agreement and plan document respectively). Your Trust document will not override your retirement account's documents and designations. It is

<u>VERY IMPORTAINT</u>

that you complete a Beneficiary Designation document for each retirement account you own and keep a copy of those designations with your estate planning documents.

If you mean to change your beneficiaries for any reason (you have a new grandchild … or you decide you don't like your snothead kid anymore)

you should change your designation in your Trust document, as well as completing a new Beneficiary Designation for each of your retirement accounts.

By the way, making changes to your IRA/retirement account is far less work than updating your Trust document and should not cost you any money.

For more important information on Beneficiary Designations see "What Happens to Your Retirement Accounts After Your Gone?" in the last issue of The Loop.

"Schedule A" Strikes Again

Trust documents include a "Schedule A" which lists out your property/assets – but that's all it does. Just because property is listed on "Schedule A" does not mean the property now belongs to your Trust. If you wish for an asset to be controlled by the instructions in your Trust document it is important to re-register those assets into the name of your Trust.

Let's look at an example…

Bill and Sally decide to draw up a Trust document. Their attorney asks them for a list of all their assets/property, and they are sure to include their home. Bill and Sally sign their new Trust document and feel they have covered all their bases … Unfortunately, simply listing property in your Trust document does not mean your Trust owns that property. When Bill and Sally pass away their heirs will discover they must go through probate and give the courts 3% of the value of the home for the pleasure of explaining Bill and Sally's intentions to a judge.

If Bill and Sally were to have re-registered the home into the name of their Trust, probate would be avoided and the home would pass to their heirs per the instructions in the Trust document.

By the way, a "Pour-over Will" will not protect against the need to go through probate either. (A "Pour-over Will" directs all property after your death into the Trust.) While the property in your "Pour-over Will" eventually ends up in your Trust, your heirs will have to go through the probate process. That cat is going to get extra fat.

In summation – if you want the instructions in your Trust to direct an asset, re-register that asset into the name of your Trust. (Some exceptions, such as your car, exist.)

But What if I Need my Trust to Control my IRA Assets?

Don't worry, there is one way to ensure your Trust document will control your IRA assets after you're gone, and that is to name your Trust as the beneficiary on the IRA Beneficiary Designation. There are advantages and disadvantages to this strategy; we suggest speaking with BOTH your Estate Planning Attorney and your Financial Advisor to see if naming your Trust as beneficiary is the best option for you.

If you've taken nothing else in this article away, take this:

It is VERY IMPORTAINT for you to complete a Beneficiary Designation for each retirement account you own and keep a copy of those designations with your estate planning documents.

Consult your Estate Planning Attorney and Financial Advisor on the rest.

This article was written by
Heather N Calmes
Marketing and Education

Collect your Snicklettes

Written by: Heather N Calmes (248783)

It's the beginning of the year which means you will start receiving annual statements from all of your investment accounts soon. Now is the perfect time of year to collect your snicklettes.

I know what you're thinking, "Heather, what is a snicklette and why are you making me collect them?"

A snicklette is obviously a little doo-dad, a straggler, the bits and pieces. It's all those little random IRA/SEP/Simple accounts, it's 2 different 401(k)s from former employers that have $1,000 in them, it's that old Individual account you still have floating at the bank even though you have a Living Trust in place.

It's all your lies and secrets and it's time to confess to your Financial Advisor.

In our experience people who pay attention to their money tend to have more of it, and it's no secret that it's easier to keep track of things when they are all in the same place. That's why we recommend consolidating your accounts. We have developed our Ax1 Account Consolidation Process to assist clients with just that.

Our Ax1 Process is designed to truncate your various accounts into as few accounts as possible. Combine with CIR Statements* comprehensive performance reporting , you will be able to easily review your investments, increasing the likelihood that you will, in fact, pay attention to your money.

So don't let your snicklettes roam wild another year, wrangle those puppies in and let's make sure they're working for you.

CIR Statement Assess* - Does not apply to all client types. "The man" would like us to disclose all options for your 401(k) accounts. You may leave your 401(k) snicklette in your former employer's plan, roll it into new plan, cash it out, or roll it to IRA. As always, contact our office to discuss the best option for you. Please be sure to speak to your advisor to carefully consider the differences between your company retirement account and investment in an IRA. These factors include, but are not limited to changes to availability of funds, withdrawals, fund expenses, and fees.