Galaria Capital
MANAGEMENT
Trust. Transparency. Confidence.

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401(k) UPDATE

1ST QUARTER 2017

Give Yourself a Money Makeover

A new haircut or wardrobe overhaul can work wonders in terms of giving someone a fresh outlook on life and a self-esteem boost. The same can be said for a money makeover. While it might not be quite as fun as a traditional makeover, a money makeover can improve your finances. Best of all, unlike other kinds of makeovers, a money makeover can actually save you money.

Step 1: Identify your flaws. Any makeover begins with identifying the things you want to change. Sit down, make an honest assessment of your current financial state, and then list a few things that you wish were different. For example, your list might include: Save more money, purchase a house, stop relying on credit cards, and figure out where all your money goes.

Be honest at this stage. You need to face up to things you want to change if you want your life to be different. At the same time, if your list is a mile long, don't beat yourself up over it.

Step 2: Decide what you want to change. If you're like most people, your list of potential financial fixes is a bit overwhelming. Since you won't be able to tackle everything at once — and because there are some things you may not be able to change at all — you'll need to prioritize.

Look at your list and highlight a few items you think would make the biggest difference in your life and that you can actually do something about. Say you want to buy a house so you can stop renting, but reckless spending has left you with poor credit. Rather than focusing on changing your living situation, you might be better off focusing on improving your credit score, so that one day you can buy that dream house. Or you may wish you had more disposable income. A raise may not be on the table at work, but you may find more income by

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Announcement

Alzena Saleem obtains CERTIFIED FINANCIAL PLANNER™ Certification!

Galaria Capital Management, LLC is proud to announce that Alzena Saleem has passed her CERTIFIED FINANCIAL PLANNER™ exam!

This achievement and the CFP® marks identify those individuals who have met the rigorous experience and ethical requirements of the CFP Board, have successfully completed financial planning coursework, and have passed the CFP® Certification Examination covering the following areas: the financial planning process, risk management, investments, tax planning and management, retirement and employee benefits, and estate planning. CFP® professionals also agree to meet ongoing continuing education requirements and to uphold the CFP Board's Code of Ethics and Professional Responsibility, Rules of Conduct and Financial Planning Practice Standards.

Alzena Saleem CFP®, CRPS® has been with Galaria Capital Management, LLC as a registered investment advisor since 2010; and with her broadened knowledge, we look forward to her continued excellence in service and expansion of responsibilities with our firm!

Give Yourself

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committing to a budget and reining in unnecessary purchases.

Step 3: Take action. The next step is to actually implement your makeover. Take the steps you need to make the necessary changes in your life. It may be helpful for you to come up with a calendar or list of specific action steps to keep you on track and help prevent getting discouraged.

For example, if you're looking to improve your credit score, you might make a list of specific things you need to do to make that happen, with deadlines for each one. For example, check your credit report for errors, automate bill pay in order to avoid future late payments, and pay off one credit card in full in two months.

If it's your spending that's the problem, you might start by simply tracking how and when you spend for a week or two. Then, you might look at that information and see that you're spending $40 per week on after-work drinks. Once you know that, you can make an effort to stop or reduce spending and dedicate that money to other goals.

Step 4: Get help if needed. You don't necessarily need fancy tools to give yourself a financial makeover. But it often helps when someone has your back. If you're worried about your ability to turn your makeover dreams into reality, you may want to seek the help of an expert on issues related to taxes, retirement, college planning, debt repayment, and more.

Not only can he/she provide valuable and objective advice, but he/she will also be a coach who can help you stay on track and achieve your money makeover goals.

Celebrate your success. As you take steps to change your financial life, be sure to stop and celebrate your successes.

Give yourself a pat on the back — and perhaps a small reward — when you pay off that credit card, stick to your monthly budget, or set up automatic contributions to your retirement account at work. ❍❍❍

Keeping Score of Financial Progress

Keeping score is important in finances. You only know if you're making progress toward your goals if you've created a plan that tells you where you need to be and when.

Essentially, there are two numbers to focus on: your total net worth and your liquid net worth. The distinction comes chiefly from the fact that most of the average American's net worth rests in their home, and everybody needs a place to live. If you own it, under normal circumstances, you can't readily sell it to raise money.

Liquid net worth, on the other hand, refers to the assets owned that can readily be converted into cash to meet expenses. These are the kinds of assets people normally draw upon to meet their monthly expenses in retirement.

In both cases, the basic formula is the same: Net Worth = Assets minus Liabilities

Assets are what you own, and liabilities are what you owe — essentially, debt of any and all kinds. The reason people keep track of their total net worth is usually for estate planning reasons (i.e., who will be the beneficiary of what items after you pass on). Again, your liquid net worth is a more accurate measure of how much you can spend without altering your lifestyle, especially in retirement.

A sound financial plan defines several important data points. These include the date you need to fund a future expense or expenses, how much cash you will need to generate to meet them, and by how much your current resources need to grow each year to meet that principal value. It's from this information that you can generate a series of annual interim goals. These are the scores you need to meet or beat to be winning the contest toward achieving your goals.

To do this annual review properly, you need to determine the current value of your assets. In some cases, such as the value of your savings and investment accounts and cash-value life insurance policies, this is relatively easy to do. In the case of less-liquid assets (and sometimes this can even refer to some assets in your investment accounts), establishing the current market value can be difficult. Things like collectibles, a business you intend to sell, or vacant land fall into this category. To the extent that you are relying on these to meet your long-term goals, it's worth securing professional appraisals every few years and then more frequently as you approach the date you'll need to convert them into cash. ❍❍❍

Long-Term-Care Insurance: A Useful Planning Tool

Americans are living longer. Someone who is in their mid-60s today can expect to live well into their 80s. That's great news, but with longer life spans come certain challenges. One is an increasing need for long-term care.

That care doesn't come cheap. The national median daily rate for a private room in a nursing home in 2014 was $240 — $87,600 per year — a price that has increased by an average of more than 4% every year for the past five years (Source: Genworth, 2014). A stay in a long-term-care facility can quickly deplete a retiree's savings and can also put a financial strain on other family members who may step in to cover the cost. Fortunately, there is a solution to the problem of paying for long-term care: long-term-care (LTC) insurance. Yet many Americans don't have, or can't get, this valuable coverage.

How Long-Term-Care Insurance Works

Long-term-care insurance can help to cover the daily costs for people who need help performing certain basic activities of daily living (ADLs) — typically eating, using the bathroom, continence, dressing, bathing, and moving from place to place. Policies typically cover care in a nursing home, assisted-living facility, at home, in a hospice, at an adult daycare center, or in other care facilities.

LTC policies work much like other types of insurance. Once your doctor certifies that you need assistance with at least two ADLs, you should qualify for benefits. Some policies will start paying those benefits immediately, while in other cases, there will be an elimination or waiting period before benefits begin. The amount paid and how long benefits last will depend on the policy's specific terms, and there may be a daily or lifetime cap on the total dollar value of the benefits. Benefits may also be paid out for a lifetime or stop after a certain period, like one or five years.

Why You Need Coverage

The costs of long-term care can be astronomical, and families often discover too late that the resources they thought would be available to pay those expenses aren't there. Many assume that Medicare will pay for care, but that program typically only pays for acute care, not the long-term, skilled nursing care that patients with conditions like Alzheimer's need. At most, Medicare will pay some of the costs for up to 100 days in a skilled nursing facility, but only if certain conditions are met. Medicaid will pay for long-term care, but you need to have virtually no assets before qualifying for benefits.

While the wealthy can often pay for long-term care out-of-pocket, many people may need LTC insurance to fill the gap. Yet despite the need, only about 8 million Americans have purchased this type of coverage according to the American Association for Long-Term-Care Insurance. Why do so few people have long-term-care insurance? Some of it may have to do with simple denial, but one challenge is the cost of the policies themselves.

Why Long-Term-Care Insurance Costs So Much

Many insurers stopped offering long-term-care policies once they were confronted with the high cost of paying out benefits. Those companies that continue to sell policies have raised rates, sometimes by as much as 50%, and tightened underwriting standards, so that people with common conditions like diabetes find it more costly to get a policy. Women are also finding LTC insurance more expensive, since insurers have started charging more for their female customers, as they live longer and are more likely to make claims.

The Solution

People who want to buy long-term-care insurance or who are facing a rate hike on their existing policy do have options. The first and most obvious is to simply bite the bullet and pay for the insurance, despite the increased cost. Another option is to look closely at policy benefits and riders; and if permitted by the policy, make adjustments to lower premiums.

If you're relatively young, buying a policy early can reduce premium costs, though you'll have to factor in the cost of paying premiums over a longer period of time. Another option is to increase your savings rate so that you can afford to pay for long-term care if you need it. Finally, some insurers have started offering hybrid long-term-care policies, which combine features of life and long-term-care insurance. You pay premiums and have the option of advancing the death benefit and using it to pay for long-term care. If you end up not using that feature, your heirs receive the policy's death benefit. However, this type of policy is typically more expensive than a traditional long-term-care insurance policy. ❍❍❍

Keep Saving after Retirement

You shouldn't stop saving just because you're retired. Carefully manage your money and look for ways to save to help ensure you remain financially fit during retirement. Consider these tips:

Construct a financial plan. Create a financial plan detailing how much money will be obtained from what sources and how that income will be spent. Review your plan annually.

Consider part-time employment. Especially if you retire at a relatively young age, you might want to work on at least a part-time basis. However, if you receive Social Security benefits and are between the ages of 62 and full retirement age, you will lose $1 of benefits for every $2 of earnings above $16,920 in 2017.

Contribute to your 401(k) plan or individual retirement account (IRA). If you work after retirement, put some of that money into a 401(k) plan or IRA.

Try before you buy. Want to relocate to another city or purchase a recreational vehicle to travel around the country? Before you buy a home in an unfamiliar city or purchase an expensive recreational vehicle, try renting first.

Keep debt to a minimum. Most consumer loans and credit cards charge high interest rates that aren't tax deductible. During retirement, that can put a serious strain on your finances. If you can't pay cash, avoid the purchase.

Look for deals. Take the time to shop wisely, not just at stores, but for all purchases. When was the last time you compared prices for auto or home insurance? Can you find a credit card with lower fees and interest rates? When did you last refinance your mortgage? ❍❍❍

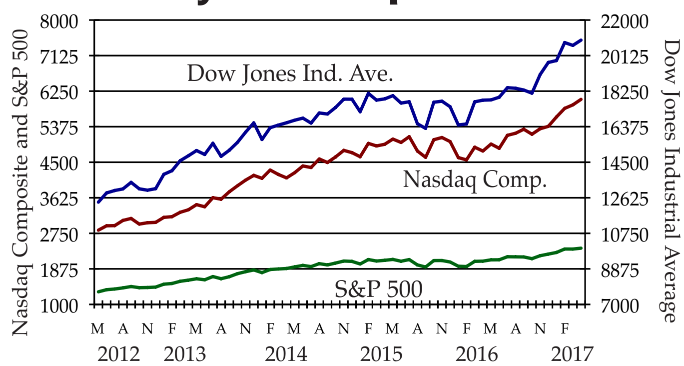
Market Data

	Month End			% Change	
	Apr 17	Mar 17	Feb 17	YTD	12-Mon.
Dow Jones Ind.	20940.51	20663.22	20812.24	6.0%	17.8%
S&P 500	2384.20	2362.72	2363.64	6.5	15.4
Nasdaq Comp.	6047.61	5911.74	5825.44	12.3	26.6
Wilshire 5000	24737.28	24508.32	24528.25	6.3	16.2
Gold	1266.45	1244.85	1255.60	9.3	-1.5
				Dec 16	Apr 16
Prime rate	4.00	4.00	3.75	3.75	3.50
Money market rate	0.30	0.32	0.32	0.29	0.25
3-month T-bill rate	0.82	0.78	0.52	0.56	0.25
20-yr. T-bond rate	2.60	2.78	2.80	2.86	2.24
Dow Jones Corp.	3.09	3.22	3.17	3.17	2.80
Bond Buyer Muni	4.20	4.23	4.25	4.26	3.94

Sources: *Barron's, Wall Street Journal*

Stock Indices

May 2012 to April 2017



Past performance does not guarantee future results.

Thoughts about Retirement Planning

The number of Americans age 65 and older will grow from 45 million today to 80 million by 2050. Of those 80 million senior citizens in 2050, 27 million will likely require long-term care. Currently, however, only 3% of U.S. adults carry long-term-care insurance (Source: U.S. Census Bureau, 2016).

It is estimated that a healthy, 65-year-old couple will need $245,000 to cover healthcare costs in retirement (Source: Fidelity, 2016).

In 2012, the number of retirees who said they were very satisfied fell to 48.6%, down from 60.5% in 1998. It is unclear why there is such a drastic decrease in overall retirement happiness. Studies have found that staying busy with a hobby, at work, or socializing correlated with being happier. Yet retirees who lived within 10 miles of their children were less happy (Source: Employee Benefit Research Institute, 2016).

The percentage of workers who expect to retire after age 65 has increased from 11% in 1997 to 37% in 2016. However, only 15% of retirees said they actually retired after age 65. Many retirees report that they left the workforce for reasons beyond their control, including health problems or changes at their companies (Source: *2016 Retirement Confidence Survey*). ❍❍❍