July 20, 2017

Welcome to the second half of 2017. We thought we would do something a little different this quarter and start off with an article about some ways to enjoy a happier retirement.

6 Ways to a Happier Retirement

Picture this—it's Friday afternoon, your work is done, and you have the weekend ahead of you. This weekend is different because you will be on a two-week vacation. You wish your colleagues well, they express similar thoughts, and you head toward freedom for a short period. Of course, you're excited! Travel, new experiences, time away from the mundane, and time to re charge. In the back of your mind, you know it's temporary and you'll be back at your desk before you know it but maybe that's what makes the time so special.

At retirement, the vacation becomes permanent as you are saying your final goodbyes. You will wake up when you want to wake up. No more alarm clocks. You'll never head back to the office again. For some of you, you've already experienced your last day at work while for others, it is a goal, but not yet reality.

One of our goals as your financial planner is to help put you on a path to reaching your financial dreams. We take a holistic approach that encompasses many aspects of financial planning. But what happens when you've reached those goals and you have the resources to retire comfortably? Just because you're financially well-off doesn't mean you are ready to embrace what can be a drastic new lifestyle.

In this month's newsletter, let's explore the nonfinancial aspects of your transition. A recent story featured on CNBC.com (http://www.cnbc.com/2017/05/08/happiness-in-retirement-is-about-more-than-account-balances.html) stated, "Happiness in retirement is about more than account balances." Money is part of the equation because it reduces stress that can be brought on by inadequate finances to support your lifestyle.

For those whose identity is wrapped up in their work, especially for those who have built their company from the ground up, retirement can be an uncertain transition. Many of you delay retirement, opting to work well into your 70s or even 80s. A 2013 British study cited in the aforementioned CNBC article showed that retirement may actually increase the risk of depression by 40%. Think about it–your routine has been interrupted, and the bonds you've formed with your co-workers will forever be changed.

All of this can have substantial implications for your health. So, please, don't overlook the psychological implications that may inevitably be a part of retirement.

Be proactive. As one of our clients you are taking steps to ensure your financial well-being long after you retire. But retirement is much more than just finances. If possible, transition into retirement. Recall the scenario above. You've worked a full week, it's Friday, but you'll never go back to work. It sounds enticing, especially if your job is just that…a job.

However, a recent Transamerica study found that 61% of American workers hope to transition into retirement by shifting from full-time to part-time. Yet, only 25% said their employers offer such options. A study last year by Merrill Lynch noted that 47% of retirees have either worked or plan to work in retirement, and 72% of pre-retirees say they want to work in retirement. Simply put, if you want to work or feel you need to supplement your retirement income, you aren't alone.

If your firm offers a flexible schedule, seriously consider it. If not, could you contract on a project-by-project basis, consult, or find part-time employment elsewhere. It will not only keep you busy but it will keep your mind sharp and supplement your retirement income.

Talk to your spouse or partner. This is critically important. What do both of you want to get out of retirement? How can you get on the same page? How much time will you be spending together? One of the biggest issues we see is that in the past, you've been apart during your weekdays but that will change. You will have to find ways to integrate each other into your daily lives through activities that you both enjoy. You may also want to spend time with your own friends and family.

Set new goals. You are embarking on a new venture. But unlike decades of work, your new life won't have the structure it had before. That can be disorienting for many, creating drift, depression, and possibly magnifying health issues. Consider coming up with an outline or schedule of activities. Having a daily or weekly plan can help prevent loneliness.

You can keep active via part-time work or as a volunteer. What are your passions? Who or what cause would you like to assist? Your church or a familiar community organization can benefit from someone that has years of experience and decades of accumulated wisdom. In addition, volunteer work helps expand your social network, a network that can quickly fray when you no longer have the comradery that your current job offers.

"**Eat well, sleep soundly, and play often.**" That's the advice from veteran career coach Bill Ellermeyer. Bill says, "Happily retired people treat themselves like a good friend. They keep themselves well-fed, exercise at least three times a week, get proper rest, and maintain strong social connections." He's right, don't isolate yourself and staying active provides an outlet.

Exercise. This is a subset of number four. Working part time or volunteering keeps your mind active and challenged, while physical activity keeps your body active and challenged. If walking on a treadmill bores you, take short hikes or walks in the park. If it's something you enjoy, you're more likely to engage in that activity.

Play with your grandchildren. If you have grandchildren, time with them is time well spent. That is something you intuitively know, but it's also backed by research from the Institute on Aging at Boston College. "The greater emotional support grandparents and adult grandchildren received from one another, the better their psychological health," said Sara M. Moorman, an assistant profession at Boston College.

Finally, retirement isn’t a time to slow down. It’s a time to redirect your path and embrace new experiences. Take charge and don’t let circumstances dictate your future. It’s the key to a happy and fruitful retirement.

Switching gears: Happy birthday economic recovery

As June came to a close, the current economic recovery and expansion turned eight years old, the third longest since the end of WWII. That’s according to data compiled by the National Bureau of Economic Research (NBER), which marked the end of the Great Recession in June 2009. A quick explanation–the NBER is the arbiter of recessions and expansions for the U.S. economy. It bases its calls on data that includes employment, sales, income, and industrial production.

In a vacuum, eight years may not mean very much to the average person, so I will offer some perspective. Including the current economic recovery, there have been twelve such recoveries since WWII. The eight-year, or 96-month-long expansion, has only been exceeded by the expansion that began in 1991 and lasted 120 months, and the expansion that began in 1961, which lasted 106 months, or nearly nine years.

The shortest one managed to survive only 12 months. It began in 1980 and fell victim to then Fed Chairman Paul Volker’s decision to use monetary policy–sharply higher interest rates–to crush years of high inflation. With the short explanation out of the way, you may be asking, “What does that mean to me and my investments?” Or, “The current recovery isn’t young anymore. Is a recession around the corner?”

Bear markets correlate closely with recessions, according to data going back to the mid-1960s (St. Louis Federal Reserve S&P 500 data, NBER). Expansions eventually come to an end–that’s a given. But they don’t die of old age. Instead, they historically come to an end due to economic excesses, i.e., the tech boom of the 1990s or the housing boom of the last decade. Or, the Federal Reserve raises interest rates too high too quickly, discouraging lending and consumer/business spending.

One of the hallmarks of the current expansion has been its slow and boring pace. For many who have seen wages stagnate or haven’t experienced the benefits from the modest-at-best expansion, there is one silver lining. The slow pace of the recovery has failed to stoke the euphoria in real economic activity that can sow the seeds of dangerous excesses. The Fed has been super cautious, and has been slow to tap on the monetary brakes.

Throughout history economists (or other forecasters) have done a poor job of calling turning points in the business cycle. All forecasts are based on trying to determine patterns from past economic cycles and applying them to the current one. Since all expansions are different, we normally do not know we have entered a recession until the GDP numbers are reported as negative at the end of the quarter.

So, we won’t try to predict when the next recession will start. What we can say is that most leading economic indicators suggest that the odds of a near-term recession are low. As the economy grows we create profit growth which causes the price of stocks to go up even as interest rates gradually rise.

We can never discount unexpected volatility. We see this volatility as result of both economic reports and geopolitical concerns around the world. We seem to have one of these almost each month of some consequence that causes the stock markets to retreat and then quickly recover as the unknown is resolved and investors focus again on economic growth, earnings and interest rate levels.

As the enthusiasm for tax reform, healthcare insurance reform and infrastructure spending lessens, we turn to economic growth to support valuations in the stock market. This year we have realized earnings increases over last year with the forecast for the third and fourth quarters remaining positive. Higher earnings result in higher stock valuations

One of the services we provide to you is an investment plan we've created with your input that reflects your objectives and risk tolerance. We recognize that you will have turbulence in your portfolio as a result of events but remember, timing the ups and the downs in stocks is rarely profitable longer term. In reality, it only delays the day you reach your financial goals. We remain committed to being invested in both the stock and bond markets to allow you to achieve your goals. We will continue to review your portfolios and rebalance if necessary to keep you within your allocation targets for your investment objective.

We hope you've found this review to be educational. Let us emphasize again that it is our job to assist you! Should you have any questions about anything in your quarterly report or just want to talk before our next scheduled meeting, please call.

We have included for your review our normal quarterly reports including performance and our most recent fee statement. We are honored and humbled that you give us the opportunity to serve as your financial planner. We look forward to our meetings with you in the coming months.

Quintin and Ginny