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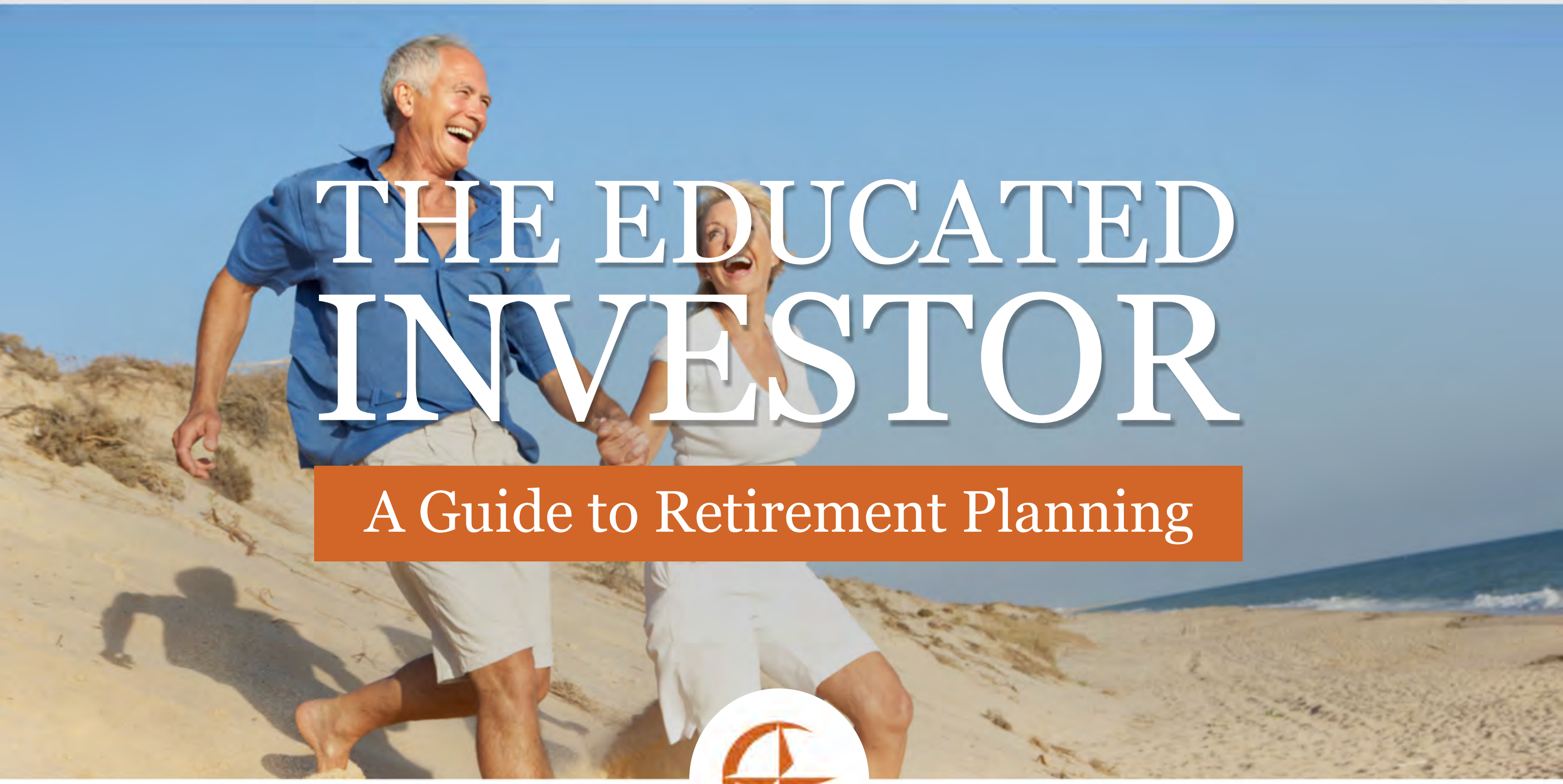


THE EDUCATED INVESTOR

A Guide to Retirement Planning

FEATURED ARTICLE

The mistake that will upend your retirement security

If you've sneaked a peek at your 401(k) plan or IRA account values recently, it was likely a feel-good (or feel much better) experience. The epic 8-year-old bull market has sent the S&P 500 up more than 300 percent from its March 2009 low and plumped up our collective retirement prospects.

Not to be a total killjoy, but the endorphin kick from staring at fatter account balances could also be triggering some dangerous retirement magical thinking.

More than 80 percent of workers recently surveyed by BlackRock expect their retirement account returns will continue to match or exceed the returns of the past.

That's a tall order

The 19.5 percent annualized rate of return for the S&P 500 during this bull market is already nearly double the 10 percent long-term norm going back to 1926.

And even 10 percent is asking too much given where valuations are today and the long odds that there's some magic economic growth potion that can support valuations moving a lot higher. A host of heavy-hitter investment firms, including BlackRock, GMO and AQR are on the record that over the next 10 years returns could be less than half their long-term average.

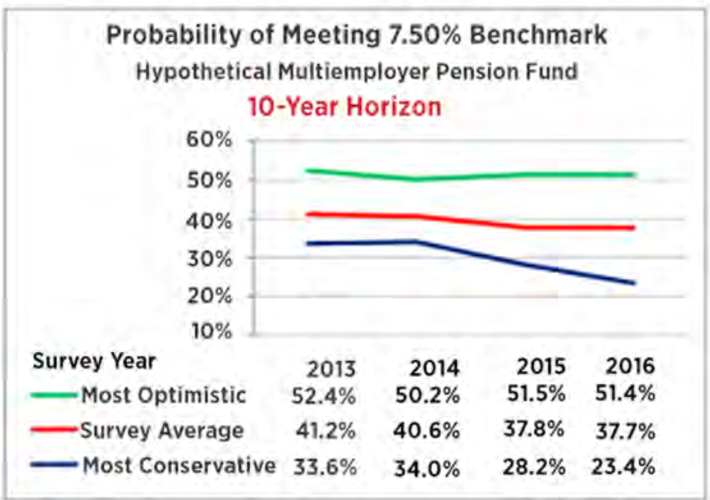
And bonds aren't going to be able to keep up either.

The yield for basic bonds is a solid predictor of their return potential over the next 10 years. The current 2.5 percent yield for a U.S. bond index is about 2 percentage points less than the annualized return that index has delivered for the past 15 years.

"The biggest problem investors have is an 'expectations gap,' between the returns that they hope to earn, and the plausible returns on today's low-yielding markets," said Rob Arnott, chairman and chief executive officer of Research Affiliates, a thought leader whose strategies are the playbook for more than $165 billion in investment assets.

Research Affiliates churns out 10-year return expectations for a variety of asset classes, adjusted for inflation. The firm expects the S&P 500 will likely deliver just 0.7 percent a year over the next decade, a sharp comedown from the 12.6 percent real return of the past five years. Same story with small caps; the 11.5 percent annualized real return for the Russell 2000 index of small cap stocks for the past five years is expected to shrink to just 0.5 percent over the next 10 years.

Individual investors have plenty of overly optimistic company. BlackRock found that 70 percent of plan sponsors expect returns over the next 10 years to be just as good as the past. Pension plans are also running into an expensive disconnect. A common assumed rate of return for pension plans is 7.5 percent before inflation. Even though plans may use that as their target, they aren't exactly confident they will get there.



Source: Horizon Actuarial

Even among the most optimistic of the nearly three-dozen institutional investment firms surveyed by Horizon Actuarial, barely half think a nominal 7.5 percent is likely to materialize.

Pension plans have their reasons for sticking with a too-high assumed rate of return. (Namely, not wanting to have to increase pension contributions and/or report a lower funded status.)

That's not going to work for you. Those meager return estimates can make a mess of your plans. "If we expect the markets to fund our retirement, we'll save too little, spend too much and retire too soon," said Arnott. Framed as advice, it's pretty simple: Save more, spend less and give serious thought to working longer, if need be.

And while it's not wise to expect the markets to do the heavy lifting over the next decade, shifting more of your portfolio to pockets that are not nearly as rich as ours will boost your return potential. (Hint: stocks outside the U.S.)

Finally, curb your enthusiasm for retirement calculators. When Research Affiliates took a spin through a handful of calculators and pension fund expectations, it found that on average the assumed real rate of return is around 5 percent, which is in line with historical norms. But based on its estimates of returns for the next 10 years, Research Affiliates expects a classic 60 percent stocks/40 percent bonds U.S. portfolio will deliver less than 1 percent annualized over the next 10 years. (You can game out the potential return for your current allocation, using RA's free 5 Percent Challenge.)

"Retirement calculators can be such a disservice," said David Blanchett, head of retirement research at Morningstar. "Using the historical averages gives an incomplete picture of expected returns based on current valuations." Especially now.

If you're a 20-something with multiple market cycles ahead of you, that's not necessarily a big deal. If you're nearing retirement, overestimating your return potential for the homestretch can mean you don't get to the finish line when you want, or with all you need.

Blanchett's advice is to ratchet down your expected return "by at least 3 percentage points" from the historical averages and see if that necessitates a rethinking of what you're saving and spending, and perhaps adjust your retirement target date.

Source/Disclaimer:
1Source:http://www.cnbc.com/2017/03/20/the-mistake-that-will-upend-your-retirement-security.html

Common Estate Planning Mistakes and How to Avoid Them

Estate planning can be as simple as drafting a will -- or as complex as setting up specialized trusts. When you are ready to create your own plan, it's wise to enlist the help of a qualified, experienced estate planning expert.

Estate planning can be a minefield of potential missteps, some of which could have far-reaching consequences. Many of the poor choices individuals make when planning for their own future or passing assets to their families are caused by "one-size-fits-all" planning strategies or well-intended advice from family or friends. Following are some common and potentially costly mistakes along with suggestions for avoiding them.

Failing to plan. Whether drafting a basic will or crafting an elaborate strategy involving trusts and tax planning, an estate plan can help reduce estate taxes, save on estate administrative costs and specify how your assets are to be distributed. Today, the majority of Americans have no will. If you die without one, your estate will be divided according to the intestacy laws of your state -- not according to your wishes. This could create problems if your intended beneficiary is a minor child, a child with special needs, a favorite charity, or a combination of the above. In these cases, you need a will that details each contingency and a trust or multiple trusts to accomplish your goals.

Not maximizing your marital estate exemptions. Perhaps one of the most important pieces of tax legislation passed recently is referred to as the "portability" provision. This means that if one spouse dies without using up his or her federal estate tax exemption -- $5.43 million in 2015 -- the unused portion may be transferred to the surviving spouse without incurring any federal estate tax.

How might the portability provision work in a real life situation?

Consider the following scenario involving the hypothetical $8 million estate of Jim and Helen:
If Jim dies in 2015, the executor of his estate can elect to use the unlimited spousal exemption and can also transfer Jim's unused $5.43 million federal estate tax exemption to Helen. If Helen dies in 2015 with $8 million in assets, her estate will have a total of $10.86 million in federal estate-tax exemptions: the $5.43 million exclusion transferred from Jim and her own $5.43 million exclusion. As a result, none of Jim and Helen's $8 million estate would be subject to federal estate tax.

As welcome as the portability provision may be, it still does not account for future appreciation of assets from the first spouse's estate. Nor does portability offer protection from creditors and others aiming to lay claim on an estate's assets. Traditional strategies like credit shelter trusts and bypass trusts do provide these benefits and therefore are still essential planning instruments for married couples.

Naming a Family Member as Executor.

Your executor is the person who will be responsible for administering your estate after death. The responsibilities of an executor are serious, and you will want someone who will take them seriously. There are many important reasons to choose a paid executor -- a bank or trust company, for instance -- along with (or instead of) a spouse or family member. A professional executor is familiar with the probate process and may actually save the family money, keeping expenses under control. This will undoubtedly be an emotional time for your loved ones, and a family member may find it difficult to focus on the details involved with settling an estate. In addition, when you name a family member, especially a beneficiary as executor, you introduce the potential for conflict of interest. The larger the estate, the more likely those conflicts become.

Relying On Advice From Family or Friends.

Would you go to a friend or relative for surgery or to fix your car if he or she was not a skilled surgeon or auto mechanic? Why would you take their advice about estate planning issues if they are not professional planners? When seeking a professional, look for a specialist -- someone who knows trusts, estate tax law, and probate issues. A specialist will have more experience and skill in his/her chosen area -- and that will translate into higher quality services provided in the most cost effective manner.

No set of rules or advice can apply in all cases, but a sure way to avoid these and other problems is to rely on a trusted team of tax and legal professionals led by your financial advisor.

This communication is not intended to be tax and/or legal advice and should not be treated as such. Each individual's situation is different. You should contact your tax/legal professional to discuss your personal situation.

Easter Bunny Treats Recipe

Source:http://www.tasteofhome.com/recipes/easter-bunny-treats

Total Prep Time: 15 Minutes

Makes: 12 Servings

Ingredients:

2/3 cup vanilla frosting
30 large marshmallows
Pink gel or paste food coloring
Red and pink heart-shaped decorating sprinkles
60 miniature marshmallows

Directions:

1. Frost the tops of 12 large marshmallows; stack a large marshmallow on top of each. Quarter the remaining large marshmallows; set aside for ears. Tint 1/4 cup frosting pink. Cut a small hole in the corner of a pastry or plastic bag; place pink frosting in bag.

2. Pipe a ribbon between the stacked marshmallows for bow tie. With white frosting, attach red hearts for eyes and a pink heart for nose. Pipe pink whiskers and smile.

3. For ears, pipe the center of quartered marshmallows pink; attach to head with white frosting. With the remaining white frosting, attach the miniature marshmallows for legs and tail. Let stand until dry. Yield: 1 dozen.

Source: https://nrf.com/media/press-releases/nrf-says-easter-spending-will-reach-173-billion

Easter Spending Expected to Reach $18.4 Billion in 2017, a Record High

Americans are ready to celebrate this Easter, and they are planning to spend more than ever before, according to the NRF's annual Easter Spending Survey, conducted by Prosper Insights & Analytics. The figure below shows planned Easter spending for the past eight years.

Figure 1. US Consumers' Planned Easter Spending (USD Bil.)

Source: NRF/Prosper Insights & Analytics

The organization found that the number of people who plan to celebrate the holiday has fallen 10 percentage points since 2007, to 54% this year. "Consumers will find that retailers recognize that their customers are looking for the best deals and will offer good bargains just as they did during the holiday season," said NRF Chief Executive Matthew Shay in a statement.

NRF President and CEO Matthew Shay commented that a significantly warmer Easter this year because of the later arrival of the event this year has put shoppers in the frame of mind to splurge on spring apparel along with Easter decorations. The positive shopping trend will also be aided by having almost an extra month this year to shop before Easter compared to last year. He believes consumers are ready to shop and retailers are also ready to offer great deals on all sorts of products, ranging from Easter baskets to garden tools.