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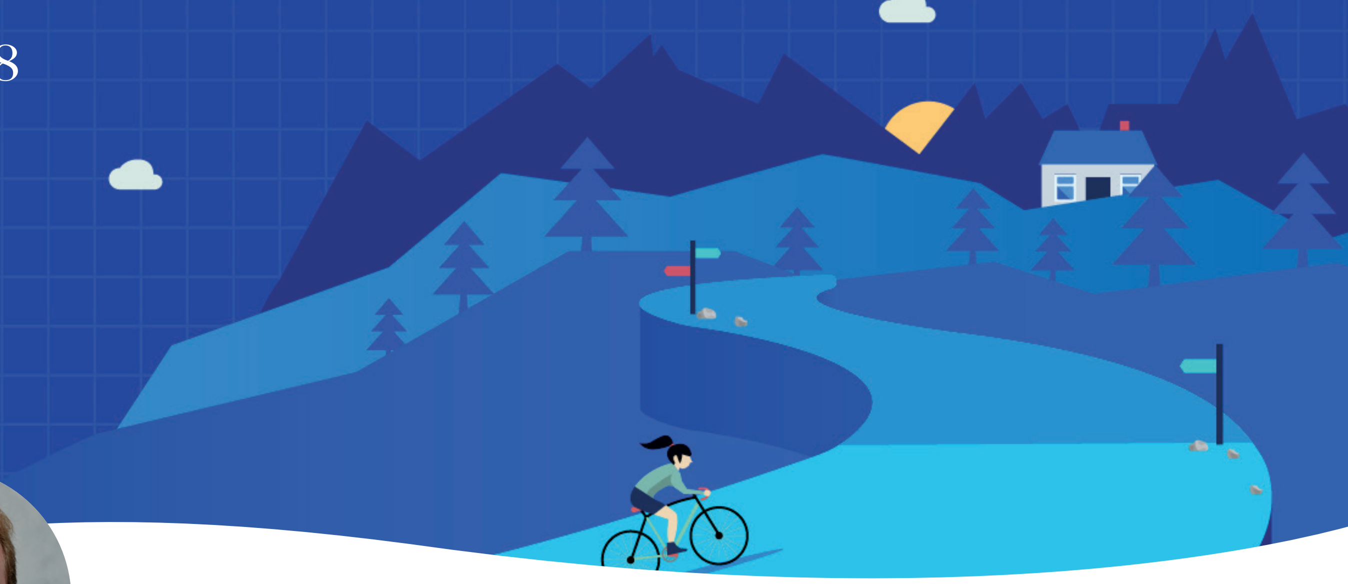
Fall 2018



Why Asset Allocation Still Makes Sense

By Howard Milove, CPA, PFS

Have you ever heard the saying "Slow and steady wins the race?" When it comes to investing and building your nest egg there is no better advice. Everyone loves to win big, but typically if you can win big, you can likely lose big too, at least when it comes to investments. Most people are willing to give up some of the upside if they can limit the downside, especially as they get older. But how does one accomplish this? The answer is Asset Allocation.

Asset Allocation is an investment strategy that invests in different asset classes — such as stocks, bonds, and cash — to build a portfolio that balances risk and reward based on an investor's risk tolerance, time horizon, goals and objectives. This investment strategy has been around for decades, is time tested and a proven long-term investment strategy.

As with any investment strategy there are times when it works beautifully and times when it doesn't. The key is to understand that over the short-term it may appear the strategy is not working, but if you stay the course and not abandon the investment strategy, then over the long-term your patience is rewarded. Let's take a deeper look at the advantages and disadvantages of Asset Allocation.

The concept of Asset Allocation is to invest in different asset classes. This way you are diversifying your portfolio and avoiding the dreaded mistake of "putting all your eggs in one basket."

This concept further helps by lowering the overall risk (standard deviation) of the portfolio, since typically all asset classes act differently in similar markets. In plain English: everything in the portfolio does not go up together and everything does not go down together. Over the longer term this should provide you with more downside protection than keeping your portfolio in one asset class. If you stay true to this investment strategy it also offers discipline — which all the research shows is probably one of the most important aspects of the investment strategy. We know that all asset classes will not achieve the same rate of return, therefore if your portfolio is invested in several asset classes this allows us to apply my favorite investment saying of all time, "Buy low and sell high." If an asset class outperforms the others then we simply sell the gains in that asset class that outperformed and buy the other asset classes that have underperformed.

(Continued on Page 4)

Access Wealth designs and implements comprehensive financial and investment plans. For more than 30 years, our mission remains helping clients plan for and achieve a life well lived.

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What Does Retirement Mean to You?

By Robert Epstein, ChFC®

As you progress through youth and middle age, the thought of retirement moves from being a vague abstraction to an impending reality. How should we prepare for this major change in our lives? In addition to planning for financial security, we should also consider what we want the content of our retirement years to be like. How will the activities we choose express our values and provide satisfaction, enriching our own life and that of others? Furthermore, how can we develop a lifestyle that promotes our physical and mental well-being? Many people do not have a realistic vision of retirement. They think that they will be "happy," but they are not clear exactly what that means.

The first thing to consider is our longevity, as retirement at age 65 may well begin a period that lasts for 30 years. One study of a middle-to-upper income population revealed that, for a couple at age 65, there is a 50 percent chance that at least one spouse will live to age 94, and a 25 percent chance that at least one lives to age 98. In addition to the length of retirement, we know that age brings an increasing likelihood of the need for medical care. As people live longer, there are more seniors who have cognitive impairments. Among those over 85 years of age, 33 percent are afflicted with some degree of Alzheimer's Disease.

So, let's discuss a few of the key points that we can plan for to give us confidence in having and keeping a positive outlook throughout retirement.

Remain Active

Your mid-life years are filled with things that you are supposed to do, so your schedule is to a great extent pre-determined. Retirement, in contrast, is a blank slate, there for you to fill in at your own volition. However, just because you are not spending most of your time earning a living or raising a family, it does not follow that your life should be lacking in meaningful activities.

The first principal of a successful retirement is to stay active. Consider part-time work — not necessarily for financial need, but for the value it will add to your day. Look for something that makes you feel like you are contributing to the common good and giving back to your community. Teaching, volunteer work or other jobs that allow you to use your accumulated knowledge and wisdom can inspire your days with a sense of mission.

Purposefulness

A study has found that 94 percent of purposeful people have a positive outlook on life. And why should there be any age limitation on having such an outlook? Today's forward-looking thinking about retirement gives full consideration to this theme. Here are a few resources that you can check out which have exciting insights about how to develop a purposeful retirement:

- Encore.org. This is an "innovation hub tapping the talent of people 50+ as a force for good." The organization provides areas for you to mentor and guide the younger generation.
- The Stanford Center on Longevity. This organization's mission is to "accelerate and implement scientific discoveries, technological advances, behavioral practices and social norms so that century-long lives are healthy and rewarding."

A Healthy Life — Physical Activity

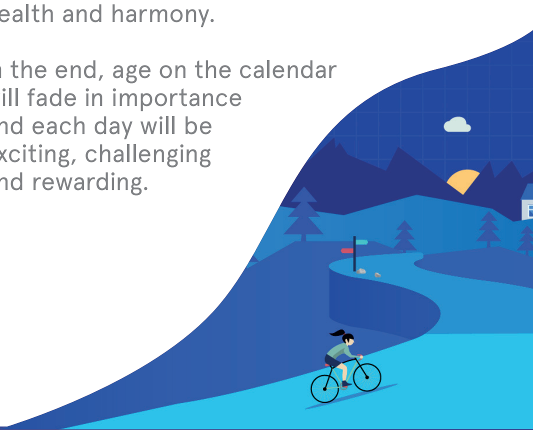
For most people, aging entails an increasing need for medical care. One analysis concluded that you should have $280,000 saved at age 65 for health care alone. You do not, however, have to passively await this outcome — you can stack the odds in your favor by following a healthy diet and remaining physically active. Choose your favorites from a plethora of possible activities, such as walking, jogging, yoga, exercising at home or at a gym, or sports like tennis or golf. Don't think that you have to keep up with the 20- or 30-year olds, just go at your own pace and challenge yourself. By setting realistic goals in this area, you will be motivated and attain satisfaction from your achievements.

A Healthy Life — Intellectual Activity

"Lifetime learning" should not be just a cliché. Think of retirement as your opportunity to pursue interests that you've always had, but didn't have the time for. Do you want to learn a language or become an expert in U.S. history or economics? Just like physical activities, learning new things is not just for the young, and in fact, doing so will keep you young.

A 30-year retirement is not something to take lightly or to be afraid of. You can fill in the "blank slate" of retirement with part-time paid or volunteer work providing you with a sense of purpose or a mission, and complement this with a set of activities promoting mind-body health and harmony.

In the end, age on the calendar will fade in importance and each day will be exciting, challenging and rewarding.



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How to Donate and Still Benefit

By Howard Hook, CFP®, CPA

For most people, charitable giving involves writing checks to the charities of their choice.

However, changes in the tax law, as well as an increase in the amount of solicitations received from charities, have created a demand for a way to donate more efficiently through what is known as a Donor Advised Fund (DAF).

The money used to make these gifts is kept in a DAF account maintained by a sponsoring organization that is a public charity, qualified under Federal tax law to accept funds from donors. Once the funds have been deposited into the account, the donor can then "advise" the sponsoring organization in deciding who receives the funds.

With a DAF the donor records a tax deduction in the year the funds are deposited into the account — although the donation itself does not have to be made in the same year. Making a contribution to a DAF in a year when the donor anticipates higher taxable income than in future years may make sense to maximize the tax deduction taken.

There is an administrative advantage to using a DAF as well. Rather than needing to keep track of all your charitable receipts to give to your accountant at tax time, a DAF sends the donor an accounting of all giving from the account that year as well as a tax acknowledgement letter for tax purposes.

A further advantage is the ability to give anonymously. This is difficult to do when giving individually as the law requires charities to provide tax acknowledgment letters to donors. DAFs also do not create issues for the charity receiving the donation, since the tax letter acknowledging the gift is given to the sponsoring organization (while you receive a letter from the sponsor).

Choosing a Sponsoring Organization

There are three types of sponsoring organizations: National charities, single-issue charities and community foundations.

National charities are sponsoring organizations that are national in reach. Examples are the Fidelity Charitable Gift Fund, Schwab Charitable, JustGiving.org, and the Vanguard Charitable Fund. Single-issue charities are organizations that focus on a specific issue, cause or religious faith. Examples of these types of organizations are The Sierra Club Foundation, Impact Assets, and Jewish Federations. Community foundations focus on charitable giving within a specific region, such as a city or county. Examples are The Princeton Area Community Foundation and the Brooklyn Community Foundation.

All three types of sponsoring organizations allow the donor to recommend donations to 501(c)(3) charities, although some single-issue organizations require that a certain percentage of the recommended donations go to specific causes supported by the sponsor.

The distinct advantages each of the three types of sponsoring organizations offers varies slightly. National charities offer a wide range of investment options, low fees, and ease of funding, particularly for donors who already have brokerage assets at the institution. Single-issue charities offer the donor the opportunity to be aligned with the causes most important to them. They can provide resources to help the donor choose the right opportunities. Community foundations, meanwhile, offer donors the tools to give to local, national, and even international charities.

According to Elizabeth Wagner, Senior Vice President & Chief Philanthropy Officer of the Princeton Area Community Foundation, "You'll find that community foundations have great tools — we can help you identify your priorities, talk to your kids and grandkids about your values, explore high-impact organizations that you've never heard of, and make grants wisely. We work closely with families to achieve their short- and long-term giving goals."

This is similar to what many single-issue charities provide for their donors, focusing on a geographical region rather than a specific issue.

Funding a DAF Account

Typically, contributions are made with cash deposited into a DAF account, although other non-cash contributions are generally accepted as well, such as appreciated securities, real estate, limited partnership interests, and artwork.

Legacy Options

Another nice thing about DAFs is the ability to name a successor owner(s) for the fund. This allows giving from the account to continue after you are

(Continued on Page 4)

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(Continued from Page 1)

History shows us that no asset class stays on top and no asset class stays on the bottom forever; therefore, if we can buy more of an asset class that is undervalued (knowing that it will eventually turn around), that gives us better long-term returns. Unfortunately, sometimes it can take several years to work effectively so patience is the key. Lastly, having a well-allocated asset portfolio helps prevent market timing since your portfolio is better protected on the downside. Research shows that no one can time the market consistently and trying to time it is detrimental to your long-term returns.

Everything sound good? Sign me up! Before we do that, remember that since the strategy buys several different asset classes and they can act differently, it does potentially limit your upside. This strategy is not designed to hit "home runs;" it is designed to hit singles and doubles. There will be times when one or two asset classes do extremely well and other asset classes do not, causing the portfolio to lag. When this happens it is easy to see why an investor would pose questions such as: *Why is my return lagging? Why don't we have all the money in the asset classes that are going up? Why do I have bonds or cash in my portfolio?* When that happens I remind clients why we are asset allocated in the first place — think 2008!

Take a look at the two portfolios below. If you invested $500,000 which portfolio do you want?

	Year 1	Year 2	Year 3	Year 4	Year 5
Portfolio A	20%	40%	**-30%**	25%	**-15%**
Portfolio B	6%	6%	6%	6%	6%

Which portfolio did you choose?

Portfolio A is more exciting and you will definitely have some "water cooler" stories. Portfolio A's total value at the end of 5 years is $624,750. Portfolio B is boring and you won't be able to share any incredible stories with your friends. However, Portfolio B's total value at the end of 5 years is $669,113. That is a $44,263 or 8.9% difference!

Human nature typically forces us to question strategies that aren't working but the key, of course, is not to deviate from a time-tested, long-term investment strategy. Fighting our own conflicting behavior can sometimes be the hardest thing, especially with the media sensationalizing market ups and downs. Don't lose faith — take a deep breath and remember, slow and steady wins the race!

(Continued from Page 3)

gone. Getting children or grandchildren to know the goals of the fund can help provide guidance for those successors when you are no longer around.

Minimums and Fees

To open an account you usually need to deposit a minimum of $5,000, although each sponsoring organization sets its own minimum deposit amount. Fees are typically expressed as a percentage of the value of the fund's assets and can decline as the size of the account grows. Many sponsors impose a minimum fee, typically ranging from $100 to $500, to cover administrative costs.

Other costs can include the underlying fees charged by the investments you choose to invest the funds in. They can range depending upon the type of investments. Donor Advised Funds can be a good charitable vehicle to use to give more efficiently, both administratively and tax-wise. They can allow you to stay anonymous and avoid unwanted solicitations. They also provide a good tool to bring families together and to create a legacy of giving to children and grandchildren.

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