Retirement Wellness Outlook

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Could the Fed Shake Up Wall Street Even More Than Congress This Fall?

Say farewell to the lazy days of summer and hello to more serious, back-to-business days of fall and winter. The federal government certainly has plenty of business to attend to this fall, which could have major repercussions for the financial markets. This is especially true of the Federal Reserve's little-publicized plan to start unwinding quantitative easing by selling back the surplus of U.S. bonds it purchased as part of the experimental stimulus strategy. I see this as a last-ditch effort by the Fed to try to drive up long-term interest rates to ensure it has some "ammunition" left in case of another recession. The trouble is, this "unwinding" process is just as experimental as every other aspect of quantitative easing. It has the potential to create a stock market tipping point whether it succeeds or fails.

You better believe Wall Street will have a close eye on the sell-back when it starts, given that the stock market has been more dependent on the Fed's words and actions these past eight years than on the economy. Fed Chairman Janet Yellen has probably been the main force behind keeping the market artificially inflated since 2014 when she replaced Ben Bernanke as Fed Chairman.

Yellen inherited the job of trying to wean the markets off six years of addictive artificial stimulus—a.k.a. quantitative easing—which involved lowering short-term interest rates to near zero and trying to force down long-term rates by purchasing $4.5 trillion in U.S. Treasuries. Wall Street loved quantitative easing because it created cheap money and forced everyday investors up the risk curve by making non-stock, interest-bearing options look less attractive.

Unfortunately, the strategy never worked as well with consumers as it did with investors, creating a wide division between market performance and economic realities—a division that

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Required Minimum Distributions Workshop

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2 p.m.

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continues to this day. Even though the Fed officially ended quantitative easing in late 2014, its influence on the stock market continues. Why? Because the entire undertaking was experimental. Even though many analysts (myself included) warned that the markets could become dangerously addicted to prolonged artificial stimulus, those warnings were ignored.

A Tough Spot

So, for the last two years, Yellen and the Fed have been desperately trying to "normalize" monetary policy again without sending the addicted markets into a panic. The Fed is especially eager to get short-term interest rates back up to normal levels. This would signal to Wall Street that the economy is really strong enough to justify all the irrational investor confidence, and it would give them ammunition to lower rates again if the economy stalls. But, the four rate hikes that have happened since quantitative easing ended have been marginal, and the markets have remained more focused on the Fed's moves than on the economy.

Now Janet Yellen finds herself in a tough spot where a fifth short-term rate hike—even a marginal one—is nearly impossible for two reasons: 1) inflation is still below her stated goal of two percent, and 2) long-term interest rates still haven't returned to an upward trajectory like the Fed had hoped they would after quantitative easing ended. The latter is especially significant because, as I've explained before, the Fed *needs* long-term rates to rise ahead of short-term rates. Otherwise, they risk flattening the yield curve, which creates a disincentive for banks to lend and can hinder economic growth. In fact, the Fed's yield curve dilemma is even worse now than it was in December of 2015 when I first forecasted it in an interview on CNBC. Why? Because long-term rates have actually *decreased* from where they were two years ago. The 10-Year Treasury rate was at 2.31 percent in late December of 2015, and it's currently at 2.14 percent.1

This brings us to the quantitative easing "unwinding," in which Chairman Yellen is expected to announce a sell-off of those $4.5 trillion of bonds.2 Although the move is being cast as an effort to normalize the Fed's balance sheet, I suggest it's a desperate attempt to try to get long-term rates to cooperate with its flawed experimental strategy. When the bonds are sold flooding the market with supply, that should theoretically push bond prices down and long-term rates up. If that doesn't happen, the Fed's yield curve dilemma will continue.

But, if it does happen, it could still create problems because companies and individuals would then have a disincentive to *borrow* money, which runs counter to economic growth. Plus, as I mentioned, low interest rates have been partly responsible for inflating the stock market by pushing investors up the risk curve. If the bond sale works and long-term rates rise, that could provide just the incentive nervous investors need to lower their risk, and a sell-off could ensue.

The Trump Factor

And, let's not forget the Trump factor and its potential to create a tipping point this fall. As I've discussed several times in this space, much of the market's post-election rally has been based on Trump's economic campaign promises. Yes, we've seen some positive economic news, but certainly not the kind of consistent bottom-line corporate growth Trump vowed to achieve. For that, he likely needs approval of his tax plan, and that's hardly a "slam-dunk" given the chaos and controversy plaguing the Trump administration and widening partisan divisions on Capitol Hill.

Why is the tax plan so crucial? Think of it this way: If a company has $1M in profit and pays 35 percent in taxes currently, its net profit shrinks to $650K. If Trump can get the tax rate down to 20 percent, that same company will instantly see its net profit increase to $800K, a jump of about 22 percent. That would almost instantly align corporate earnings with overinflated stock prices and justify current price-to-earnings ratios. In other words, I believe the reason the markets soared with Trump's election is that institutional traders are thinking that if his tax reform can increase corporate earnings with the snap of a finger, stock prices can go up accordingly. The trouble is, they've put the cart before the horse, which means if Trump's tax plan fails or even stalls, the market could just as quickly fall by 22 percent—or much more.

Any way you look at it, the current overvalued stock market is like an artificially inflated balloon with the potential to burst. There are already plenty of pins in the geopolitical realm that could pop it—and when Washington gets back to business this fall, there are going to be plenty more.

1. Y-Charts.com

2. Martin Crutsinger, "Fed Leaves Rates Alone but Moves Closer to Selling off Bonds," *U.S. News & World Report*, last modified July 26, 2017, https://www.usnews.com/news/business/articles/2017-07-26/fed-keeps-key-interest-rates-unchanged-amid-low-inflation

usually feel comfortable referring our landscapers, dentists, etc. However, since discussions of money matters are so personal, we tend to keep financial advisors to ourselves.

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FINANCIAL TIP

5 Tips for Getting Out of Debt on a Limited Budget

Wouldn’t it be nice if all debt would just magically disappear? Debt can be so daunting, especially if you are trying to pay down your debt on a very limited budget. When you don’t have much extra money, making debt payments can seem like a waste of money or even seem impossible. It’s also easy to get frustrated when you have a large amount of debt and so much of your payments goes towards interest.

However, you are almost always better off making even a small payment, rather than no payment at all. If you don’t have an emergency fund or you are barely scraping by and can’t even pay your current bills, then you may need to focus on those issues now. However, if you have any available funds, you should be paying off your debt. Here are five ways to get out of debt even with a limited budget.

1. Make a payment plan

If you want to get out of debt, particularly with a strict budget, you need a plan. Start by determining just how much debt you have and writing down the different lenders that you owe money to. Then, order your payments by which debt you think needs to be paid off first (you can determine this by looking at the amount owed, the terms of the loan, and the interest rate).

Next, you need to determine how much you can afford to pay off each month. Once you have determined how much you can pay each month, you need to figure out how much of that total amount will go to each loan. Paying off a high interest loan in its entirety has many benefits, but if you have a loan that doesn’t require payments yet (like a school loan) you should also factor that in and probably pay off other loans first.

Another important point is that if you are deeply in debt, you can also attempt to negotiate a repayment plan with your lenders, which may help you reduce your payments or get better loan terms.

2. Set up automatic deductions

If you have a limited budget, you might feel that a small payment isn’t worth it. However, every little bit helps. Setting up automatic deductions will prevent you from falling into the trap of finding different excuses not to make debt payments.

If you have the money taken out of your bank account at the same time each month, you will need to factor that into your budget and pay attention to your account. This will help you to avoid superfluous spending because you will know for a fact that you can’t count on that money. So, determine how much you can afford to pay on your debt each month, and have that money paid automatically.

Usually, automatic deductions are a reliable way to pay bills, but you should still check your accounts for errors. If the automatic deduction comes out late, or the bank doesn’t make a payment at all (or doesn’t stop making payments you want to stop), then you could face problems, so be sure to check frequently.

3. Cut costs

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This tip sounds obvious at first, but if you are on a tight budget, you truly cannot get out of debt if you don't cut costs (or it will take you a very long time to reduce your debt). Start by evaluating your monthly spending, and see what you can change. Cutting expenses will leave more available funds to help you pay off your debt. This may mean that you stop eating out at restaurants, cut cable television, or choose to workout at home or outside instead of at the gym.

If your budget is already limited, it can be hard to find places to cut down, but cutting expenses really will help you get out of debt faster — as long as you use the extra money to pay off your debt. Sometimes, even small cuts make a difference, such as making coffee at home instead of running into a store on your way to work.

4. Change your spending habits

Initially, this tip sounds a lot like cutting costs, but it's actually very different. Somehow you got into debt, and there are several potential reasons. You may have debt such as a home mortgage, or school loans, and these debts are probably completely legitimate and even necessary. You also might have debt from poor spending choices in the past. Either way, you have to decide to stop spending now if you want to get out of debt quickly.

This means that even if a mortgage is a reasonable debt, you need to be proactive about paying off that debt, and you also need to be content not to go out and purchase a bigger or more expensive home. If you have credit card debt, you need to stay away from stores (or wherever you are tempted to use your card unnecessarily), and choose not to spend money. Regardless of whether you are a careful spender or an impulse spender, if you truly want to be debt-free, you need to choose to pay debt down instead of accruing more.

5. Get help

Seeking help from a credit counseling agency might be a good idea if you feel overwhelmed by your debt, or you are just not sure how to move forward. You can look at the National Foundation for Credit Counseling to get started. You can potentially get free or affordable advice regarding how to deal with your current financial problems, advise on how to manage your money, and even help developing a plan.

People sometimes wonder if they should borrow money in order to pay off debt. If you have multiple different debts, you can consider consolidating your loans. Of course, you want to consider the interest rate and loan details of any new loan you might accept. However, a short-term unsecured loan is very risky, and it's often best to avoid these if possible. Although few people want to ask their parents or other family members for help, if you know someone who can afford to help you pay off your loans in return for a no-interest (or even lower interest) loan, this might be a good idea if you can agree on the terms.

Having a limited budget shouldn't stop you from paying off your debt, but it can definitely make it more difficult. These five tips can help.

Originally published online at www.cheatsheet.com/money-career/5-tips-for-getting-out-of-debt-on-a-limited-budget.html/?a=viewall

EXPERT'S CORNER

Now in the Second Season

Did you know our very own David Scranton is the host of the hit television show "The Income Generation" on Newsmax TV?

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Not only does David offer his own expert insights, but he also interviews top-financial minds about timely issues that affect us all. Past interviews were with Ed Slot, Peter Morici, Mohamed El-Erian, and Steve Forbes.

Stay tuned, every Sunday at 10 AM Eastern time, for a new episode of *The Income Generation with David Scranton* on Newsmax TV.

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RECIPE OF THE MONTH

September

Cheesy Stuffed Peppers With White Beans

MAKES: 4 servings

Ingredients:

• 4 bell peppers • 2 tbsp. olive oil • Kosher salt and pepper • 1 large onion • 3 cloves garlic	• 1 package fresh spinach • 1 can small white beans • 2 tbsp. fresh lemon juice • 4 oz. part-skim mozzarella • 1/4 c. grated parmesan (1 oz.) • 1 cup marinara sauce

Directions:

1. Heat broiler. Cut the peppers in half through the stem and discard the seeds. On a rimmed baking sheet, toss the peppers with 1 Tbsp oil and 1/4 tsp each salt and pepper. Arrange cut-side down and broil for 3 minutes. Turn and broil until beginning to soften, 3 minutes more. Pour off any accumulated liquid. Reduce the oven temperature to 425°F.

2. Meanwhile, heat the remaining Tbsp oil in a large skillet over medium heat. Add the onion and cook, covered, stirring occasionally, until tender, 5 to 6 minutes. Stir in the garlic and cook for 1 minute.

3. Add the spinach and 1/4 tsp each salt and pepper to the skillet and cook, tossing, until beginning to wilt, 1 to 2 minutes. Remove from heat and fold in the beans and lemon juice, then the mozzarella and Parmesan.

4. Spread the marinara sauce on the bottom of a 9 x 13-in. baking dish. Dividing evenly, fill the peppers with the bean mixture (about 1/2 cup each), then place on top of the sauce in the baking dish. Bake until the peppers are tender and the cheese has melted, 4 to 6 minutes.

Tips & Techniques

For a little kick, add 1/4 to 1/2 tsp crushed red pepper flakes to the skillet along with the garlic.

Originally Published in Woman's Day

HEALTHY LIVING

The Eight Keys to a Successful Retirement Life

While there are lots of books available on retirement, the only book that really matters is the one that you write yourself!

There are some things that we can learn from others who have made the transition into the kind of life that they wanted. Some would say that they were **"happily retired"**, while others wouldn't even admit to being retired at all! That's the point–this next phase of your life will be about living the kind of life that YOU decide. It might include work, it might be travel or it might be learning and doing new things! It is up to you.

There are eight keys that you should think about as you create this picture of your retirement life. This will give you a structure and foundation to build your plans.

1. Having a positive attitude towards your future

Your ability to 'roll with the punches' will dictate how you approach most areas of your future life. There are life changes that you can expect in retirement; both positive and challenging. In fact, sociologists have identified at least six separate "life transitions" that will affect most people as they move through their retirement life (which is why we say that retirement isn't one long life phase). Perhaps the greatest transition of all is the one that you see each time you look in a mirror and see yourself change . It is easy to forget that "getting older" is a physical issue, not a mental one. . As Satchel Page once asked, "How old would you be…if you didn't know how old you are?"

2. A clear vision of the kind of life that you want.

When you think of the word 'retirement', what vision comes to mind? Is retirement a work issue for you, or maybe a financial and investment plan? Far too many pre retirees make the mistake of thinking that the financial plan and the retirement plan are the same thing–that the life part will take care of itself. This stage of your life deserves a more holistic look and plan than simply assuming that you are beginning a thirty-year long weekend. What do you want your life to look like? What changes do you anticipate along the way? How will you get the most out of each and every day? Those are important questions as you contemplate your move into this next phase of your life.

3. A healthy approach to mental and physical aging

It is one thing to say that you want to be positive about the future. If that is true for you, then healthy aging will be a major part of your retirement plans and lifestyle. While the aging process is normal and affects us all in different ways, there are some things that we can all do to ensure that we "put time on our side" by looking after ourselves. Most people think that being healthy physically is the key to healthy aging. In retirement, healthy mental aging is just as important (and some would say even more so.) How much do you understand about the basic principles of healthy physical and mental aging? Are you doing something each and every day to nourish your need to use and expand your mind or to honor your body and do what you can to maintain your physical health?

4. A positive definition of 'Work'

Your work is the thing that you do to contribute your skills, experience, labor or knowledge to society in some way. It is also a way for your to “self-actualize” and create positive stress in your life. Even when you leave the traditional workplace, you will still have a need to share your workplace strengths and transferable skills. If you have a positive attitude towards the workplace, then the desire to have a retirement free from any kind of work becomes irrelevant. A wise person once said, “If you love what you do, you never have to work again!” By the way, work doesn’t have to be full-time, it doesn’t have to be something you don’t like to do, and it doesn’t even have to be for pay! Many retirees use volunteering as a way to replace the things that they miss most about their previous work.

5. Nurturing family and personal relationships

Our close personal relationships define us, give us a purpose for living our lives and encourage us to create life goals. We all have a basic need to share our lives, experiences and life journey with those closest to us In retirement our friendships and close relationships may offer us the validation that we may have received in the workplace. Those relationships give us the opportunity to “connect” on many levels with someone close and to share ourselves. Psychologists have identified our desire to share ourselves as a basic human need. This need is often satisfied in the activities that we enjoy with our spouse or partner, friends and family.

Researchers have found that people in satisfying personal relationships have fewer illnesses and higher levels of good overall health. That’s the clinical rationale. In real life terms, having people close to you who will share your life and be there for you will not only add to your overall life enjoyment, but will also add years on to your life!

6. An active social network

As you get older, your social support network becomes increasingly important. You draw your social support network from a much broader social network. Successful retirees generally have robust social networks that provide them with friendship, fulfilling activities and life structure. As part of your retirement plan, you might want to think about the quality of the social network that you have today and your plans to build it. One of the lessons that we can learn about the aging process is that our social networks begin to shrink–if we aren’t continually adding to them. You can join clubs, meet new people and get out of the house to do new things. In retirement you are going to want a lot of people who you can count on and it makes good sense to continue to seek out new opportunities to socialize.

7. A balanced approach to leisure

Leisure is a fundamental human need. We use it to recharge our batteries, to act as a diversion in our lives, to create excitement, anticipation or simply to rest and contemplate. Things change, however, when leisure becomes the central focus of our lives. Leisure, by its very nature, loses its luster when it is the norm in our life rather than the diversion. For many retirees, the idea of leisure is associated with “not having to do anything”. In the end, a lack of stimulation affects our mental and emotional state and then ultimately our physical well being. There is a big difference between “time-filling” activities and “fulfilling” activities that we look forward to. In retirement, leisure activities often replace workplace functions to meet the basic needs that we have. Successful retirees balance their leisure over many different activities and take the opportunity to do new things and not get into a rut.

8. Maintaining ‘financial comfort’

Some retirees feel that a happy retirement is guaranteed by financial security. However, there is no price tag on successful retirement. As someone once said, “having a million dollars is NOT a retirement plan!” Financial comfort refers to being able to manage your life in a satisfying and fulfilling way using the financial resources that you have. If financial discomfort contributes to retirement stress, then your financial plan becomes a negative rather than a positive. The keys to achieving financial comfort are to have a clear understanding of the financial resources you have and the demands on your money that will come from the life you lead (both now and in the future). One good way to look at your financial situation in this next life phase is to think about the three “buckets” that you will have to keep filled in order to achieve financial comfort:

§ Your “essentials” bucket, which will pay for all of your basic needs

§ Your “lifestyle” bucket, which will fund those fun things that you dream of doing in retirement

§ Your “nest egg” bucket, which will fund any emergencies that may arise, provide you with a sense of security through good and challenging times and ultimately will form part of your legacy.

Originally published online at www.retirementlifestyle.com/the-eight-keys-to-a-successful-retirement-life/

EVENTS

Required Minimum Distributions (RMD) Workshop

Learn how to calculate RMDs, how much additional income tax you can expect, tax saving strategies, asset allocations and how to set up beneficiaries for maximum tax efficiency. Join us for either workshop listed below.

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2 p.m.
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Thursday, October 17, 2017
2 p.m.
Acton Public Library
60 Old Boston Post Road
Old Saybrook, Connecticut

For more information or to RSVP, please contact Laura at (860) 339-1116.

Bring-a-Friend Dinner

Our next "Bring-a-Friend" dinner event will be held in **October.** The details are still being determined. Now would be an ideal time to think about your family and friends who may benefit from hearing information on important financial topics such as quantitative easing, interest rates, caution in the markets and more.

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