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Horsetooth Financial
www.HorsetoothFinancialLLC.com

220 Willow Street, Unit 101
Fort Collins, CO 80524
(970) 377-3570
Toll Free (800) 275-6412

Michael G. Hall

Horsetooth Financial Outlook

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Estate-Planning Checklist

Many people unwisely assume that estate planning is only for the wealthy, inadvertently causing complications for families following their death. Imagine for a second the following scenarios:

- ❍ The assets you leave behind are not distributed as you assumed due to an unanticipated family conflict, and your spouse or certain family members are excluded.
- ❍ A spouse keeps you on life support against your prior verbal wishes.
- ❍ Your minor children have no appointed guardian, and their future depends on a court decision.
- ❍ Cherished pets are left for the pound.
- ❍ Your assets go directly to the government.

Contrary to popular belief, estate planning isn't just about money or family heirlooms; there is far more at stake, including the welfare of your loved ones. As unimaginable as your sudden demise may seem, *you need a strategy in place*. With appropriate planning, your family can grieve properly without the added disadvantage of worrying about complicated financial matters, living arrangements, unexpected taxes, or even funeral costs and preparations. Here are the most important steps you should take now to protect both your loved ones and your assets:

1. Prepare a Last Will: The first and most imperative step is to have a last will and testament prepared specifying the following: 1) Your heirs; 2) The executor who will implement your instructions; 3) The

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Is Early Retirement Feasible?

Many people dream of early retirement. Unless you really love your job, who wouldn't want to give up the daily grind in favor of being able to do what you want with your time, like traveling, volunteering, pursuing a new business, or spending more time with your family? Yet most people assume early retirement is nothing more than a pipe dream. They're wrong.

Early retirement is actually an achievable dream, but it's not one that will turn into reality without careful planning and diligence. Below, we review some of the things you need to do if you hope to stop working before full retirement age.

Save, Then Save Some More. You'll need money to live on if you want to retire early. Having a healthy nest egg is especially important since you may stop working before you are eligible for Social Security. Plus, your Social Security benefit may be smaller than it could be if you had worked longer. While saving 10% or 15% of your income (including your employer match) might be enough if you plan to retire at 65, if you want to quit at age 50 or 55, you might want to aim for setting aside 25% of your income — perhaps even more.

Cut Your Debt. Retiring with debt is a major challenge. Retiring early with debt may be a huge mistake. If you want to quit working in your 40s and 50s, you'll want to eliminate your debt, especially liabilities like auto loans and credit card debt. Paying off your mortgage early may also help, though you'll need to balance that goal with building your nest egg. But generally, you'll want to cut debt payments as much as possible so you can save more.

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Estate Planning

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designated guardian who will act as caregiver of your minor children; 4) The guardian who will manage assets you leave to minor children. Consider working with an estate-planning attorney to assure this essential document is correct, as even the most insignificant-seeming errors can alter your will's intent.

2. Name Your Durable Power of Attorney: Don't confuse this with the executor of your last will, although you can certainly designate the same person to serve as both. A durable power of attorney is a person you choose to oversee your finances should you become either temporarily or permanently incapacitated; they'll manage your bills, bank deposits, medical benefits, and insurance when you are unable to do so.

3. Establish a Living Will/ Health Care Directives: Just as you must consider your inevitable death and its financial implications, there is also the unfortunate chance of becoming either temporarily or permanently unable to make your own medical decisions. In a living will, you define your medical preferences, such as whether you wish to remain on life support. You should also designate a health care proxy (also referred to as a medical surrogate), who advocates on your behalf to ensure that your medical instructions are carried out.

4. Choose Your Beneficiaries: Be sure to set up or revise the beneficiaries on your savings and checking accounts; life insurance policies; retirement plans; and even stocks,

bonds, and brokerage accounts; particularly so that they align with your will. Understand that because a named beneficiary on an account will override your will, people can unknowingly disinherit a loved one. You can prevent these unintended mishaps by reviewing your beneficiaries in accordance with your will.

5. Familiarize Yourself with Estate Tax Laws: The last thing you want for your heirs are the unexpected costs associated with federal and state estate and inheritance taxes. While your heirs are not required to pay income tax on their inheritance, estate taxes levied against your total wealth — which occurs prior to any distributions — could dramatically impact what your loved ones or chosen charities receive. Careful review of your assets along with strategic planning can protect your legacy.

6. Consider Life Insurance: If you're married, have minor children, or even a disabled adult child, life insurance is a great way to assure these loved ones continue to receive financial support in the event of your death. Properly structured, beneficiaries can receive the life insurance proceeds with no income- or estate-tax ramifications. You can also consider life insurance as a supplemental source to help offset any levied estate taxes.

7. Think about Funeral and Final Arrangements: Do you plan on donating organs? What type of funeral service do you envision? Why burden family with such difficult decisions when you can plan ahead by preparing a written document specifying instructions for the disposition of your body and funeral service preferences? You can even consider a Totten trust, where a specific amount from your assets is earmarked for funeral costs.

8. Protect Your Business: Owning a business can significantly complicate your estate, as any accrued assets won't necessarily transfer to spouses or beneficiaries without proper directives. Likewise, if you share a business, make sure

you have an arranged buyout agreement, which among several other scenarios, plans for the event of your death.

9. Set Up a Trust: The larger the value of your estate, the more you should consider setting up a trust. Similar to a last will, a trust allows you to designate financial beneficiaries and even a guardian for your minor children, with three important advantages over wills: 1) Assets retained through a trust are not subject to probate, therefore allowing for faster distributions to loved ones or cherished organizations; 2) Unlike wills, trusts are not considered public documents, providing the added benefit of privacy; and 3) You can place special conditions on your legacy, such as when it's dispersed and how it can be spent, which may be more beneficial for young adult recipients or more irresponsible heirs.

10. Store Your Documents: Make sure your power of attorney or executor has quick and convenient access to your important paperwork: wills and trusts, life insurance policies, bank and retirement account statements, certificates of other assets, mortgage paperwork and real estate deeds, and debts. The last thing you want for your family is for an important document to go missing.

Please don't delay taking these important precautionary measures. Even if you've already wisely planned ahead, understand that births, deaths, divorces, changes in income, and other recent life developments can greatly impact the estate plan you currently have in place. To get started on a plan immediately or review your current plan, please call. ❍❍❍

Is Early?

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Adjust Your Lifestyle. If you can live on less, your dream of early retirement may be more achievable. On the other hand, if you can't scale back your current living expenses, early retirement may not be feasible.

Living on less not only means you'll be able to save more, but you'll also get used to a simpler lifestyle, which can help you manage costs in retirement. Even a few simple adjustments can make a big difference. Get rid of one of your cars (or stop buying luxury vehicles), dine out less, or downsize to a smaller house and put the money you save into your investments instead. Relocating to a cheaper town or city once you retire could also help your dollars go further.

Get Your Health Insurance in Order. If you retire before age 65 and are not eligible for Medicare, you'll need to find a way to get health insurance. You may be able to retain coverage through your employer, get coverage through your spouse if he/she is still working, or purchase a policy through the health care exchange or on the open market. Whatever you do, figure out how much it will cost (be sure to estimate how much you'll spend on copays and other out-of-pocket costs) and how you'll pay for it.

Do a Dry Run. Before you give up a steady paycheck, you need to make sure you can live on your retirement budget. Some experts suggest that you and your spouse try living on your anticipated retirement budget for several months to see how it goes. This dry run should give you an idea of whether you need more money or can get by on less. If you find yourself stretched thin or reaching for a credit card to cover expenses, you may not be ready to retire.

Do you dream of retiring early? That goal may be achievable with proper planning. Please call to discuss this in more detail. ❍❍❍

4 Reasons to Invest in Bonds

While it's true that investing in bonds tends to lack the dramatic highs (and lows) that come with investing in stocks, that doesn't mean you should ignore the opportunities bonds present. Here are four reasons why you might want to have a portion of your portfolio in bonds.

1. Bonds are a way to diversify your portfolio. Many financial experts recommend diversifying your portfolio to include a variety of asset classes, including bonds. This is a concept known as asset class diversification. Because various asset classes tend to perform differently at alternate times, you may be able to create a portfolio that generates more stable returns by investing across asset classes. For example, stocks and bonds tend to historically move in opposite directions, which means that owning some of both can help smooth out the ups and downs in your portfolio.

2. Bonds are (usually) less risky than equities. If you are looking to decrease risk in your investment portfolio (such as when you near retirement), increasing your allocation to bonds may be one way to do that. However, keep in mind that less risky doesn't mean risk free. Bond issuers can default, plus you face what's known as inflation risk. Because bond payments are set in advance (that's why they're known as fixed-income investments), you may lose purchasing power due to inflation.

3. Bonds can provide a steady, predictable source of income. Stocks and other investments are unpredictable — you don't know with any certainty how well a stock might perform in any given year or even how well certain types of stocks (like small-cap stocks or international stocks) will do. Bonds are a bit different. They are debt investments, which means you are essentially agreeing to loan an entity, like the government or a corporation, money for a certain period of time. That entity agrees to pay you a certain amount of interest (known as the coupon) over the time they have your money, plus repay your initial investment when the bond reaches maturity. That means unlike some other investments, you have a pretty good idea of how much money you're going to see from your bond investments over the years.

Of course, bonds aren't risk free. Bond issuers can default, and you could experience a loss. That's why riskier bond issuers tend to offer investors higher coupon rates — their greater risk is compensated by greater total return. But in general, bonds are more predictable in how much money they generate for investors than stocks, which is one reason why they're so appealing to retirees.

4. Bonds can provide valuable tax savings. Depending on the types of bonds you own, you may be able to save on taxes. While you'll pay normal taxes on corporate bonds, income from Treasury bonds (which are issued by the U.S. federal government) is free of state and local taxes. Then there are municipal bonds, or bonds issued by state and local governments. You won't pay federal tax on money earned on these investments, and may also be exempt from state and local taxes. For anyone who is looking to minimize their tax burden, especially retirees, this can be an appealing proposition.

Questions about making bonds part of your investment strategy? Please call to discuss this topic in more detail. ❍❍❍

FINANCIAL DATA

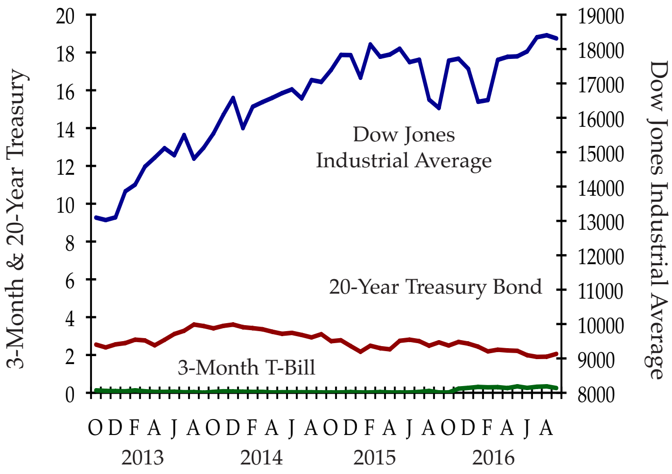
Indicator	Month-end Jul-16	Month-end Aug-16	Month-end Sep-16	Month-end Dec-15	Month-end Sep-15
Prime rate	3.50	3.50	3.50	3.50	3.25
Money market rate	0.26	0.27	0.28	0.27	0.29
3-month T-bill yield	0.32	0.34	0.25	0.26	0.02
20-year T-bond yield	1.90	1.91	2.06	2.60	2.67
Dow Jones Corp.	2.54	2.51	2.57	3.43	3.26
30-year fixed mortgage	2.83	2.88	2.85	3.58	3.47
GDP (adj. annual rate)#	+1.40	+0.80	+1.40	+1.40	+3.90

Indicator	Month-end Jul-16	Month-end Aug-16	Month-end Sep-16	% Change YTD	% Change 12 Mon.
Dow Jones Industrials	18432.24	18400.88	18308.15	5.1%	12.4%
Standard & Poor's 500	2173.60	2170.95	2168.27	6.1%	12.9%
Nasdaq Composite	5162.13	5213.22	5312.00	6.1%	15.0%
Gold	1342.00	1309.25	1322.50	24.5%	18.7%
Consumer price index@	241.00	240.60	240.90	1.5%	1.1%
Unemployment rate@	4.90	4.90	4.90	-2.0%	-3.9%
Index of leading ind.@	123.80	124.30	124.10	-0.4%	0.5%

— 4th, 1st, 2nd quarter @ — Jun, Jul, Aug Sources: *Barron's, Wall Street Journal*

4-YEAR SUMMARY OF DOW JONES INDUSTRIAL AVERAGE, 3-MONTH T-BILL & 20-YEAR TREASURY BOND YIELD

OCTOBER 2012 TO SEPTEMBER 2016



Past performance is not a guarantee of future results.

THE YEAR OF EXCEPTIONAL

With the endless news evolving around this year's presidential election, it seems baseball has crept even further away from the mainstream audience. The pro hockey season has begun, football is in full swing, and there is even a preseason pro basketball league that is broadcast that showcases the up-and-coming rookies who will be tomorrow's stars. Oh, so many distractions to divert our attention away from the baseball playoffs and world series.

I'm not even going to mention world soccer, world politics, real estate bubbles in China, student debt defaults, zero interest rates and the Federal Reserve, the implosion of Obamacare, or milk prices. Our obsession and exposure to the other sports, alone, is enough to shield the significance of this special baseball season.

I have no idea if the Chicago Cubs will win this year, but their season seems to parallel with the exceptional events that have been occurring throughout the world this year. The Cubs are a favorite to make it to the World Series, but they really shouldn't be. They haven't won a National League championship in 71 years, and haven't won a World Series in 108 years. Now that's what you call a drought, the longest in major league baseball history. As of this writing, they are locked with the L.A. Dodgers, 1–1, in the battle for the national league championship.

Earlier this year, another phenomenon, followed by most of the world but not as much in the U.S., occurred. In the Premier League in England, which is the most widely watched soccer league in the world, attracting an estimated 4.7 billion viewers each year, Leicester City (The Foxes) won the championship. They had never won a championship in the league in over 100 years. They entered the season with a 5000–1 betting odds to win the league. Newspapers around the world described the feat as the "greatest sporting upset" ever.

On June 23, 2016, Britain held a vote to decide whether they should leave the EEU (European Economic Union), of which they had been members since 1973. Polls priced about an 85% likelihood that Britain would stay in the EU. Now known as BREXIT, Britain voted to leave the EEU.

In Brazil, the first Olympics to ever be held in the southern hemisphere concluded, not without criticism, but a significant event that drew our attention to another culture and economy where a huge segment of the world's population resides.

In July of this year, interest rates on U.S. Treasury bonds hit their lowest yields in the history of the U.S. At the same time, government bond yields in Switzerland and other countries went "negative," as in below zero, for the first time in their history.

Meanwhile, the politics of presidential campaigning rolls on, barreling to a conclusion that seems to be sure to be headed for historic climax.

All of these exceptional events are not random. They have been planned, provoked, nurtured, and developed by human behavior. Much of what I do for you, my client, is to sift through the turmoil of events that affect us all and communicate to you a plan to navigate the detail and simplify it so it works. There are so many distractions that cause us to "take our eye off the ball"; please remember that I am your eyes and ears to navigate the noise and confusion.

This requires planning and communication, and that is what I promise to provide for you. In establishing your goals, analyzing options, providing full disclosure, and committing to be fair, honest, and direct, I promise to always place your interests first.

Thank you for your Trust and Confidence!