

THE LARAWAY REPORT

Volatility: WHAT IS MEANT BY THIS?

by Steven A. Laraway, J.D., CPA®, CFP®

Over the last few months stock market movements have seemed to be more drastic and choppy. Because of this, a term that had been used in the past has “popped up” again; that term is volatility. But just what exactly does this mean? In the truest sense, volatility refers to – “a change which happens rapidly and unpredictably, usually for the worse” or “to display rapid changes of emotion.” So you may ask, how does market volatility differ from this definition?

Market volatility is represented by a very complex mathematical calculation. This calculation looks at historical, current and future volatility and comes up with actual volatility. A bit like the ghosts of Christmas past, current and future! There are instruments that can be purchased to reduce volatility, but they are not inexpensive.

So why should we, as investors, be concerned with volatility? According to Wikipedia, Investors care about volatility for at least seven reasons:

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1. The wider the swings in an investment's price, the harder emotionally it is to not worry;
 2. Price volatility of a trading instrument can define position size in a portfolio;
 3. When certain cash flows from selling a security are needed at a specific future date, higher volatility means a greater chance of a shortfall;
 4. Higher volatility of returns while saving for retirement results in a wider distribution of possible final portfolio values;
 5. Higher volatility of return when retired gives withdrawals a larger permanent impact on the portfolio's value;
 6. Price volatility presents opportunities to buy assets cheaply and sell when overpriced;
 7. Portfolio volatility has a negative impact on the *compound annual growth rate* (CAGR) of that portfolio.

These are all good reasons to care about volatility! The key thing to remember about volatility is that it will eventually pass and the markets will settle down. If you should ever have concerns or worries about volatility, give us a call we will be happy to help.

HAPPY INVESTING!



Why Do You Need a WILL?

It may not sound enticing, but creating a will puts power in your hands.

provided by Chris Wayne, AIF®

According to the global analytics firm Gallup, only about 44% of Americans have created a will. This finding may not surprise you. After all, no one wants to be reminded of their mortality or dwell on what might happen upon their death, so writing a last will and testament is seldom prioritized on the to-do list of a Millennial or Gen Xer. What may surprise you, though, is the statistic cited by personal finance website The Balance: around 35% of Americans aged 65 and older lack wills.^{1,2}

A WILL IS AN INSTRUMENT OF POWER. By creating one, you gain control over the distribution of your assets. If you die without one, the state decides what becomes of your property, with no regard to your priorities.

A will is a legal document by which an individual or a couple (known as “testator”) identifies their wishes regarding the distribution of their assets after death. A will can typically be broken down into four parts:

***EXECUTORS:** Most wills begin by naming an executor. Executors are responsible for carrying out the wishes outlined in a will. This involves assessing the value of the estate, gathering the assets, paying inheritance tax and other debts (if necessary), and distributing assets among beneficiaries. It is recommended that you name an alternate executor in case your first choice is unable to fulfill the obligation. Some families name multiple children as co-executors, with the intention of thwarting sibling discord, but this can introduce a logistical headache, as all the executors must act unanimously.^{2,3}

***GUARDIANS:** A will allows you to designate a guardian for your minor children. The designated guardian you appoint must be able to assume the responsibility. For many people, this is the most important part of a will. If you die without naming a guardian, the courts will decide who takes care of your children.

***GIFTS:** This section enables you to identify people or organizations to whom you wish to give gifts of money or specific possessions, such as jewelry or a car. You can also specify conditional gifts, such as a sum of money to a young daughter, but only when she reaches a certain age.

***ESTATE:** Your estate encompasses everything you own, including real property, financial investments, cash, and personal possessions. Once you have identified specific gifts you would like to distribute, you can apportion the rest of your estate in equal shares among your heirs, or you can split it into percentages. For example, you may decide to give 45% each to two children and the remaining 10% to your sibling.

A DO-IT-YOURSELF WILL MAY BE ACCEPTABLE, BUT IT MAY NOT BE ADVISABLE. The law does not require a will to be drawn up by a professional, so you could create your own will, with or without using a template. If you make a mistake, however, you will not be around to correct it. When you draft a will, consider enlisting the help of a legal, tax, or financial professional who could offer you additional insight, especially if you have a large estate or a complex family situation.

REMEMBER, A WILL PUTS POWER IN YOUR HANDS. You have worked hard to create a legacy for your loved ones. You deserve to decide how that legacy is sustained.

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Citations.

1 - <https://news.gallup.com/poll/191651/majority-not.aspx> [4/24/18]

2 - <https://www.thebalance.com/wills-4073967> [4/24/18]

3 - <https://www.nolo.com/legal-encyclopedia/naming-more-one-executor.html> [12/3/18]

House of UNCERTAINTY

by Chris Hastings, Registered Representative

In 2004 my wife and I found a nice starter house with great curb appeal and purchased it at a reasonable price. Two years later, the house appraised for 25% more than my original purchase price. For that return on my investment, I was thinking I should have purchased two homes. That notion became a reality when, in 2009, we found a bigger house to accommodate a growing family. Rather than wait until the old home was sold, we became homeowners times two. Time passed quickly, and after six months I had no buyers. I had a few options: 1) I could sell the first house for a 25% loss from the price of the initial investment 2) I could give the house back to the lending organization 3) I could rent out the property and buy myself enough time for the market to bounce back. What once was an investment with a 25% gain was now something I would be lucky to sell for what I still owed on the mortgage.

This house analogy is a lot like investment accounts. In most accounts we carry different investments and a cash position. The cash position is large enough that we can wait to sell assets until they have appreciated and be sold for a profit. If stock market investments have not increased in value, accounts have bonds that can be sold to buy more time until the stock market investments have increased in price.

From time to time I hear the question, “What if the stock market drops to zero?” The stock market has had considerable fluctuations, but it never has come close to zero, not even during the Great Depression of the 1930s. The stock market can be a volatile and scary place, which has been demonstrated over this past quarter. Despite its intermittent volatility, the stock market is probably your best bet for a secure financial future. Here at Laraway Financial, we are working hard to make sure your money is working for you; *especially* during times of market volatility. Regardless of how the markets are performing, we are committed to helping ensure you have the money necessary to deal with inflationary pressures. However, if you ever have concerns, we are always here to help, because *your* success is *our* success.



Money Requests THE OLD FASHION WAY — VERBALLY

by: Kimberly M. Foster, ChFC

Financial service industries have seen an increase in the number of fraudulent money movement requests appearing to be from a client, but actually sent to advisors by criminals. This fraud activity occurs when criminals gain access to your email accounts through any number of online fraud tactics. Unfortunately, because these requests appear to come from you, several firms have processed the money movements before thoroughly validating them, allowing fraudsters to steal hundreds of thousands of dollars in unrecoverable funds.

The only way to protect your accounts is for us to verify each money request with you directly over the phone or face to face.

How the fraud happens

Typically, a client's computer is infected by a virus, which allows fraudsters to gain control of that client's email account. The fraudster then monitors the client's email conversations and waits for an opportunity to insert themselves into the email chain in order to send fraudulent wire or MoneyLink®

instructions. For instance, if a client emails their advisor about a real estate purchase or investment, the fraudster may email the advisor with fraudulent instructions on where to send the funds. In other cases, the fraudster pretends to be the client and then initiates a brand-new request, unrelated to an existing email conversation.

Verify, confirm, prove, corroborate, authenticate, attest...

We know it can seem inconvenient to you to speak to a human during “my plate is full” days. However, fraudsters will often construct elaborate excuses for why they are not available to speak live, or may claim to be reachable only at a new phone number provided in the email. Thus if we do not speak verbally to you regarding money requests, we will call you with the preferred phone number we have on file.

To help protect against fraudulent money requests and avoid becoming a victim — we will speak to you.



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INVESTMENT PERFORMANCE THROUGH DECEMBER 31, 2018

Category	3 Months	YTD	1 Year	5 Year
MORNINGSTAR				
Large Cap Value	-12.49%	-8.52%	-8.52%	5.39%
Large Cap Blend	-13.54%	-6.27%	-6.27%	6.65%
Large Cap Growth	-15.46%	-2.09%	-2.09%	8.15%
Mid Cap Value	-15.68%	-12.82%	-12.82%	3.88%
Mid Cap Blend	-16.19%	-11.15%	-11.15%	3.98%
Mid Cap Growth	-17.51%	-6.56%	-6.56%	5.66%
Small Cap Value	-19.16%	-15.47%	-15.47%	1.83%
Small Cap Blend	-19.30%	-12.68%	-12.68%	3.24%
Small Cap Growth	-20.86%	-5.82%	-5.82%	5.12%
Foreign	-8.09%	-8.24%	-8.24%	1.77%
Govt. Bonds (Interm.)	1.95%	0.50%	0.50%	1.76%
Corp. Bonds (Interm.)	0.84%	-0.52%	-0.52%	2.29%

Return information is provided by Morningstar. Morningstar style box returns and indices are unmanaged, cannot be invested into directly and return figures do not include any fees or charges. Returns are shown for illustrative purposes only and are not representative of actual or past performance of any particular investment. The information contained in this quarterly update is derived from sources believed to be accurate. You should discuss any legal, tax, or financial matters with the appropriate professional. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Diversification and asset allocation strategies do not assure profit or protect against loss in a generally declining market.

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