Miller Wealth Advisors, LLC
Planning for life. Preparing for a lifetime.

Securities offered through ValMark Securities, Inc., Member FINRA & SIPC. Advisory services offered through ValMark Advisers, Inc., an SEC-Registered Investment Advisor. 130 Springside Drive, Suite 300, Akron, OH 44333-2431 • (800) 765-5201. Miller Wealth Advisors, LLC is a separate entity from ValMark Securities, Inc. and ValMark Advisers, Inc.

William C. Miller
Financial Advisor

7700 West Camino Real, Suite 400
Boca Raton, FL 33433
Tel: 561-613-0130
Fax: 561-353-3602
bill@millerwealthadvisors.com
www.millerwealthadvisors.com

financial $UCCESS

FALL 2018

Myths about Bonds

Bonds are a core part of many people's investment portfolios. But that doesn't mean they're widely understood. In fact, there are many common myths about bonds, and following those myths could lead to poor investment decisions. Below, we debunk a few of the most common myths about bonds.

Myth 1: Bonds Are Risk-Free Investments

It's true that investing in bonds is not as risky as some investments, like stocks or real estate. But less risk doesn't equate to no risk. A bond issuer may default on their obligations, which could leave investors without their principal. Also, some bonds are riskier than others. Treasury bonds, which are guaranteed by the U.S. government, carry relatively little risk — the U.S. has never defaulted on its debt obligations. Corporate bonds, which are issued by companies, are generally riskier than government bonds. You can get an idea of the relative risk of a certain bond by reviewing its bond rating, which is expressed as a letter grade. A triple-A bond means the issuer is extremely likely to meet its commitments. A bond with a C rating means the issuer is vulnerable.

Myth 2: Lower Returns Mean Investing in Bonds Isn't Worth It

Bonds may not be as glamorous as stocks and other investments, but that doesn't mean they don't have a place in your investment portfolio. Bonds are a way to add diversification to your portfolio; a stock-heavy portfolio can earn great returns, but it can also lose a lot of money fast if the market drops. Your stocks may

Continued on page 2

On a Personal Note

At the start of the fall, preparations were underway for the transition to our new office on Yamato Road in Boca Raton. While we hoped to be ready for business on December 1, we recently learned that some of the new furniture won't ship until mid-December — not uncommon for this time of year. Therefore, we plan to open the new office on January 2 and continue operating in our current space through the end of the year. Of course, we will be sending you a formal announcement with details of our new address soon. The phone number and email addresses will remain the same.

In early October, I spent seven days in Israel with a group of business leaders and friends from my community. We traveled from the Golan Heights in the northern region of the country to the Negev Desert in the south. We not only

Continued on page 4

Myths about Bonds

Continued from page 1

eventually regain their losses; but if you need the money in the interim, you'll need to find other resources. Bonds can also provide a steady source of income, which may be appealing if you're at a point when you would like to live off investment income. They are also a way to preserve your capital while still earning some returns. In addition, certain types of bonds offer tax advantages — income earned on municipal bonds is free of federal income tax and sometimes state and/or local income taxes, for example.

Myth 3: Bonds and Bond Funds Are Essentially the Same

Not exactly. In some ways, the difference between individual bonds and bond funds is similar to the difference between individual stocks and stock mutual funds. Like a stock mutual fund, with a bond fund, you give your money to a professional investment manager, who chooses a range of bond investments on your behalf. With an individual bond, you have an investment in a single bond, which you hold until the bond's maturity date. Individual bonds have fixed payments, often semiannually or quarterly; and if you hold the bond to maturity, you get your original investment back.

On the other hand, bond funds have fluctuating income based on how well the underlying bond investments perform. Bond funds are more liquid than individual bonds, however, which means it's easier to sell your investment if you need the cash. You'll also need to invest in a greater array of individual bonds to diversify the bond portion of your portfolio. Which one is right for you depends on your goals, comfort level with investing, and other factors.

What Is Tax-Loss Harvesting?

Tax-loss harvesting is choosing to sell some investments at a loss to reduce taxes on realized capital gains from other investments.

Assess Your Capital Gains

Thoroughly review your investments to determine a rough estimate of capital gains. If you frequently buy and sell, you most likely have both short- and long-term gains and losses. Long-term capital gains are those on investments held longer than one year, while short-term capital gains are from those held for one year or less.

Estimate Your Tax Liability

Short-term capital gains are taxed as ordinary income, so your marginal tax rate applies to them. Long-term capital gains tax rates are much more favorable:

- ✔ A 0% long-term capital gains rate applies for joint filers with income of $0 to $77,200 and single filers with income of $0 to $38,600.
- ✔ A 15% long-term capital gains tax rate applies for joint filers with income of $77,201 to $479,000 and single filers with income of $38,601 to $425,801.
- ✔ A 20% long-term capital gains tax rate applies for joint filers with income over $479,000 and single filers with income over $425,800.

There is also a 3.8% net investment income tax for high-income taxpayers above specific income thresholds.

Harvesting Losses

Start looking for investments you want to sell. The tax code states short- and long-term losses must first be used to offset gains of the same type. If you have losses of one type that exceed gains, you can then apply the excess to other types of capital gains.

Additionally, if you don't have any gains in a given year, the tax code allows you to apply up to $3,000 in capital losses to reduce taxable income.

Watch Out for the IRS Wash-Sale Rule

Even though you took a loss on an investment to reduce your capital gains taxes, you may decide it is still an attractive investment because it has good potential and fits within your investment strategy. Be careful when you buy it, because the wash-sale rule will disallow your tax write-off if you buy the same security, an option to buy the security, or a substantially identical security within 30 days before or after the date you sold the security with the loss. ❍❍❍

Myth 4: All Bonds Are Safe Investments

First, it's important to understand there are no guarantees when it comes to investing — there's always risk. While bonds are generally considered less risky than stocks, that doesn't mean there's no risk, and some bonds are riskier than others. Bonds issued by the U.S. federal government carry minimal risk (for example, savings bonds or Treasury bonds). But similar bonds issued by a less-stable country or government could carry much more risk. State and local bonds (called munis) come with a greater risk of default than bonds issued by the U.S. federal government. Corporate bonds can be risky too, especially so-called junk bonds.

Want to get more of the facts on bonds? Please call to discuss bonds in more detail. ❍❍❍

When Can You Retire?

When can you retire? It depends — on how old you are; how much you have saved; the extent to which you'll rely on Social Security, a pension, or tax-advantaged retirement accounts; how your investments perform; the kind of lifestyle you want in retirement; and how long you'll live.

Factors to Consider When Setting a Target Retirement Age

1. What kind of lifestyle do you want in retirement? Given the same monthly savings rate, there is a tradeoff between when you can retire and the kind of lifestyle you can have once you do. For example, if you're currently 50 years old, earn $50,000 per year, and plan to live to age 90, for about the same monthly savings amount, you can retire at age 65 with 50% of your preretirement income or at age 70 with 100% of your preretirement income (Source: Kiplinger Retirement Savings Calculator). There's no right or wrong answer here, it's simply a tradeoff you'll have to make.

2. What does Social Security consider to be your full retirement age? The government will let you start receiving Social Security benefits at age 62, but those benefits will be less than what you'd receive if you waited until your full retirement age. For example, for an individual born in 1960 or later who retires at age 62 instead of age 67 (his full retirement age), his monthly benefits will be reduced by 30%. For individuals born before 1960, full retirement age ranges from 65 to 66 and 10 months, and the reduction in benefits for retiring at age 62 ranges from 20% to 29.17%.

Of course, if you're not counting on Social Security for retirement income, then you can retire whenever you want and wait until your full retirement age to start taking Social Security benefits.

3. What do your pension and other retirement plans consider to be full retirement age? Like Social Security, most pension plans have a certain minimum age at which they will begin paying benefits (at a reduced rate), and a certain age at which you become eligible to start receiving full benefits. Similarly, tax-advantaged retirement plans like 401(k) plans and IRAs penalize distributions (except in certain circumstances) before age 59½.

Important to note: While most people focus on the earliest age at which they can retire, it's also important to understand when you may be required to start taking retirement benefits or distributions from retirement accounts. 401(k)s and 403(b)s require minimum distributions beginning at age 70½ (unless you're still working in most cases), as do traditional IRAs.

If you would like to retire at age 62 but the math just isn't working out, you might consider partial retirement. By continuing to generate income even after you've left the workplace, you can retire earlier than if you're not generating any income at all.

Ways to Partially Retire

✔ **Work part-time —** Working part-time, either at your current job or another one, is one way to continue generating income while still having more time to pursue the retirement activities you've been looking forward to. Some people enjoy working a few hours every day, a couple of days a week, or even just a couple months out of the year, depending on the job.

✔ **Consult —** You've likely spent many decades honing your skills in a particular job or industry. And while some employers might be wary of hiring older workers full-time, they're often eager to tap the expertise of older workers on a contract basis. So consulting can be a good way to continue earning income while also freeing up time to golf, play with the grandkids, and whatever else you've been putting off for retirement.

✔ **Sell your wares —** If you had planned to do craft-related activities in retirement anyway, why not consider selling your wares? Online craft sites make selling homemade items relatively easy. If you join a local craft-making group, you could find the activity both financially and socially rewarding.

Please call if you'd like to discuss this in more detail. ❍❍❍

On a Personal Note

Continued from page 1

toured this beautiful country, but learned about marriage, raising children, business ethics, and faith. I formed a special bond with these friends that will last a lifetime.

My wife, Tanya, continues to travel regularly between Boca Raton and San Diego to care for her mother, who suffers from both Parkinson's and early-onset Alzheimer's Disease. She recently traveled with my son, Ben, to participate in San Diego's Walk to End Alzheimer's and was honored as the top new team by raising over $7,000. Then, a week later, Tanya returned home to join my team of fellow Rotarians and walk in Boca Raton's Walk to End Alzheimer's. My Rotary Club raised over $6,000! I was happy to walk alongside family, friends, and colleagues to support this cause in honor of my mother-in-law.

After the walk, I traveled to Orlando for Valmark Financial Group's Member Summit. This year's lineup of speakers was impressive. John Maxwell, the prolific author, spoke about the 21 qualities of leadership and living with intention. Political Economist Greg Valliere shared his perspective on the effect of the midterm elections on the economy. Dr. Steven Gundry left us with a complete paradigm shift in the way we think about food. Dr. Gundry discussed the hidden dangers of "healthy foods" like cashews and wheat germ. I left his talk wondering if it was safe to drink bottled water?! The summit offered important updates on the state of the financial planning profession and unique challenges and opportunities affecting the life insurance industry.

We wish you and your families a very Happy Thanksgiving.

Growth vs. Value Investing

To gain a better understanding of growth and value investing, let's take a moment to discuss the differences between the two.

Growth Investing — Growth stocks are those that have seen impressive gains in recent years and have been proven to be leaders. Generally, growth companies are those that have held a prominent place in the market for some time; but they may also be new, emerging growth companies that are bringing in large profits at the beginning of their business life. Growth stocks tend to be higher priced, more volatile, andhave higher earnings than the rest of the market.

Value Investing — Another approach to buying and selling stocks is value investing. This involves looking for companies whose stock prices may not necessarily reflect their value. The idea is that by getting in on the ground floor or after a good company has experienced a serious setback, investors have a better chance of seeing an impressive return with value stocks. This being said, the market price for certain stocks that show promise may actually be accurate, in which case, a large return will likely not materialize. ❍❍❍

Financial Thoughts

Full retirement age for Social Security benefits varies from age 66 for individuals born in 1954 to 67 for individuals born in 1960 or later. Retiring at age 62 results in a 25% reduction in benefits, while retiring at age 70 results in a 32% increase in benefits. Despite that, 42% of men and 48% of women retire at age 62 with decreased benefits, and only 2% of men and 4% of women retire at age 70 with increased benefits. About 34% of men and 27% of women retire at full retirement age (Source: *wealthmanagement.com*, April 2018).

Approximately 70% of survey respondents said they regretted spending on restaurants, while 62% of surveyed Gen-Xers said they waste too much money dining out (Source: *Journal of Financial Planning*, May 2018).

The average equity mutual fund investor underperformed the S&P 500 by 4.7% in 2017. It is estimated that 50% of the investor shortfall for equity and fixed-income investors is due to psychological factors (Source: Dalbar, 2018).

Only 40% of American adults have a will or living trust (Source: AARP, 2018). ❍❍❍