

## Market Recap Q1

2017 was a remarkable period of consistently positive returns month after wonderful month. Thus, it is not surprising when February's 10% drop occurred and investors awoke from the dream of how they wish investing would always work, they were rattled. It is important to remember, now that we are awake, investing typically alternates between periods of gains and losses. And, while many economists do not feel the bull market is over, it seems clear that volatility is back to more typical levels. Political drama and presidential tweets aside, **this – not 2017 – is what “normal” feels like.**

| Index                     | March 2018 | Q1 2018 | YTD 2018 |
|---------------------------|------------|---------|----------|
| S&P 500                   | (2.54%)    | (0.76%) | (0.76%)  |
| MSCI ACWI                 | (2.14%)    | (0.96%) | (0.96%)  |
| Barclays Global Aggregate | + 1.07%    | + 1.02% | +1.02%   |
| Bloomberg Commodity       | (0.62%)    | (0.40%) | (0.40%)  |

Morningstar Direct

Optimism about stock prices stems from a strong story about the economy and earnings that remain mostly unchanged from prior quarters regardless of the increase in volatility from its lows. That said, continued volatility is likely for 3 reasons:

- 2018 is a mid-term election year and historically the stock market can struggle in the 2nd and 3rd quarters.
- The Fed is engaging in a multi-year series of 7 or 8 interest rate increases into 2020.
- Potential for an escalating trade war and concerns about geopolitical conflict.

Your best defense is diversification. And remember, **the objective of diversification is not to never lose money but to lessen the magnitude of the short term gains and losses associated with a long term investment program.** As you have seen, attractive long term returns are not earned smoothly over time. They are earned through a series of moderate gains occasionally interrupted by a large loss or a series of small losses such that the long term return is positive. This is the power of compounding.

Jerry Chafkin – AssetMark CIO

Disclaimer: This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events. Index returns are for illustrative purposes only. Indexes are unmanaged and cannot invest directly in an index. Past performance does not guarantee future results.

## I'm divorced – now what? A checklist ...

The divorce process is not over when the decree is signed. There are many details to finalize. I list below some of the items I work with clients to resolve after the ink is dry and divorce is final.

**Titling on cars, boats, houses.** If your name is still on the title, it could expose you to unwanted liability and it might be difficult to qualify for a mortgage.

**QDROs.** You will need a Qualified Domestic Relations Order (QDRO) to officially split a pension or 401k and the QDRO must comply with specific rules of the retirement plan sponsor to be effective.

**Open accounts in your name.** Establish bank accounts and credit cards in your own name for your own protection and know your credit score.

**Beneficiaries.** Your ex-spouse inherits your 401k if still the beneficiary.

## Divorce Settlement Tips

In addition to being a Certified Financial Planner, I am also a Certified Divorce Financial Analyst. I am trained to help consult and advise on the financial issues and decisions people must address and resolve through the divorce process. Below is a list of questions folks preparing to divorce should ask themselves:

1. **What do I owe?** Credit card, loans, mortgages.
2. **What assets do I own?** Includes bank accounts, investment and retirement accounts.
3. **What is most important to me?** Can you afford to keep the family home if it means giving up assets you need now for income or retirement later on?
4. **What can I live without?** Focus on what's truly important – neither of you will get everything you want.
5. **What sort of child custody arrangement and support is likely?** Knowing what their actual expenses are will allow you to accurately account for them in the divorce settlement.
6. **Can I expect to receive spousal support?** Protect your support with a life insurance policy on your ex's life that you own and are beneficiary too.
7. **How would I describe my financial situation?** Most folks will not be able to maintain their pre-divorce lifestyle after divorce. What can you compromise on, spend less on, etc.?
8. **Do you have a financial plan?** Based on different divorce settlement amounts and asset mixes, this will tell you what your long term financial picture looks like.
9. **Do you have a “dream team”?** This is comprised of a family law attorney, a therapist and someone like me. Each one of us has an important job to do on your behalf.

In most cases, affluent women are coming to me for divorce settlement planning. They are typically in their 50's – they are vulnerable and afraid. To their detriment, they often accept less in an effort to keep the peace and make everyone happy. Please don't. The decisions you make during the process are permanent and have financial consequences for the rest of your life. If not done right, they will haunt you.

**Estate planning.** Who will inherit your assets and act for you if you cannot? Are your children old enough to inherit your assets outright or should they gain control when they are older?

**Investment Allocation.** The risks you were comfortable taking when you had double the assets and income may not be suitable if you need to augment for today's needs and future retirement.

**529 Plans.** Your accounts could be split amongst you and your ex. And, stipulating in the divorce decree how these funds can be used and if the beneficiary can be changed is important.

**Insurance.** Insure your ex's life so your income stream is protected for the years you are entitled to it. How about your health coverage?

## Kathy's Corner

My sister and my father recently had the opportunity to sit on a panel of fellow judges for the Judge John R Brown Admiralty Moot Court Competition in Seattle. The competition is co-hosted by a friend of mine, a successful maritime and securities law attorney. He thought it would be really memorable if my sister, a superior court judge and dad, a federal court judge, could sit together. He was right.



*Jackie and Ed Shea*

The event draws bright law students from around the country to a 3 day competition. It culminates in a final "court" appearance for the final two teams in front of the "US Supreme Court". For purposes of the competition, the "Court" is actually comprised of two 9th Circuit Court of Appeals Judges, two Washington State Supreme Court Justices and two Federal Judges (my Dad was one) from Washington. This year, my sister was the 7th and as a superior court judge, it was an honor for her to sit on the esteemed panel.

The case was "simple" in my mind but ... not so much when you heard the evidence, the supporting law and the two "sides" of the case

argue their respective points. A large cargo ship is at port and repairs are being made. An electrician stretches an extension cord along a hallway in order to make repairs and the ship's cook trips on the cord and has a nasty head injury. Who's at fault? The cook is not an American, the ship is American owned and, they are in a foreign port. Which country's law has jurisdiction, how are damages assessed, etc.? A ship has to be able to make repairs, right?

It was educational to hear the arguments and to watch the various judges question and even debate the two teams on case law, facts of their case, etc. We, as a family, were so proud to see my Dad and Jackie on the panel amongst the other jurists, in full black robes, quoting the law and debating the points. They had clearly spent hours researching the case and maritime law so they could be informed jurists. As a daughter and sister, it touched my heart to see them in their roles, excelling in their "jobs" but also displaying compassion for these law school students, at times providing insights and leading questions in order to help them make their cases more effectively.

I don't often get to see my Dad or Jackie doing their jobs, in their courtrooms, managing opposing counsel, quoting the law, etc. To see them amongst the esteemed panel, doing what they love and doing it so well, was a memory I will not soon forget.

## Client Corner – Tom and Sandy

Tom is an Alaskan native by birth and lived his formative years there. The lessons learned (be self-reliant and quick witted), values instilled (take care of others), passions born (all things water and boats), have stayed with him a life time.

Born before Alaska became a state, he lived in a log cabin his Dad built. Chinked with moss, deer came for breakfast each morning. They then lived in Kasaan Bay, first on a 40 foot trolling boat and finally, a float house, both built by his Dad. He learned to row a boat before he was school age but remarkably never learned to swim despite being on and around the water from birth. He remembers fishing with his Dad to help support the family, watching his Dad log the old fashioned way and a time when "neighbors were more than neighbors because you had to depend on each other."

As fate would have it, his path crossed with Sandy's over 50 years ago and they have been strong partners ever since. They fondly reminisced about regular boat trips from Friday Harbor to Victoria and Sydney, B.C., picking abalone ("mild, sweet, tenderize, fry lightly - delicious") and driving from Arlington to Snohomish on Highway 9 when you'd see 3 cars at best.



*Tom and Sandy*

Tom is the one everyone sees and meets first but as you get to know them, it's clear he couldn't do what he does without Sandy. Sandy takes care of Tom and, if you

are fortunate to be his friend, Tom takes care of you. His friends at the scale model boat club recently roasted him coming from all over the Northwest on short notice. Sandy shared the common thread woven through comments expressed that night, "Tom is the most generous man people have ever met, inordinately generous with his talents and time but you have to be willing to help yourself first." Sounds like a guy from Alaska!

I recently toured his shops, saw his incredible tool collections and his many projects including his numerous hand-made scale model boats (recently sold to an Alaskan Native Corporation in Juneau) and the elevator he built and installed in his home. It was a joy to see first-hand the projects I have heard so much about over the years and his pride in describing his accomplishments.

As his life winds down due to a sudden illness he shared the obituary he had written for himself. It does a good job of recounting the facts of his life but it didn't share the essence of the man and the life he and Sandy have built, shared and treasured. By all accounts, it has been a very good one indeed and we are all better for having known you Tom. God speed my friend.



*Jeannette*