

FINANCIALink®

Your Money Management Newsletter



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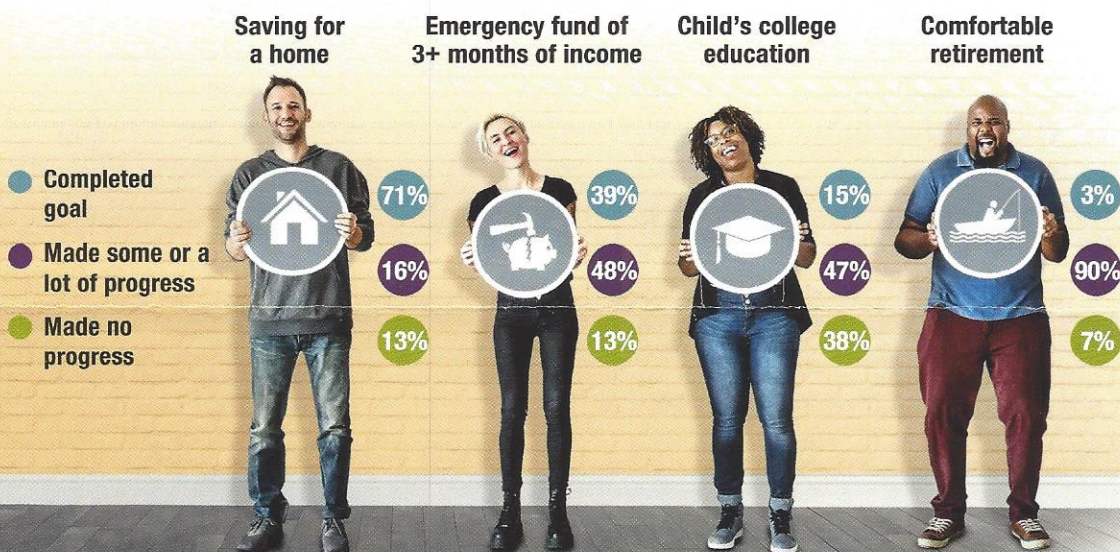


John P. Theophilos, CFP®

Saving Scorecard

Although just 3% of U.S. investors have completed their goal of saving for a comfortable retirement, 90% have made some progress. By contrast, 38% of investors with a goal of saving for a child's college education have made no progress at all. Investors saving for a home have had the most success in reaching their goal.

Progress of nonretired investors toward savings goals they set for themselves



Source: Gallup, 2018 (includes adults with at least \$10,000 invested in stocks, bonds, or mutual funds within or outside a retirement account)

2.5 hours

Average amount of time U.S. white-collar workers spend checking their personal email each weekday. They spend more than three hours checking work email.

Source: Fortune, August 21, 2018



Practical insights for your **FINANCIAL GOALS**

Caught in the Middle: The Sandwich Generation

There is an old saying about being caught between a rock and a hard place. Many people might feel that way about providing financial support to children and aging parents while also trying to save for retirement and meet daily financial needs. Dubbed the “sandwich generation,” this group may be growing as people live longer and young adults face challenges that make it more difficult to launch into fully independent lives.

A 2018 survey found that 19% of adults age 35 and older were providing support to an older family member, and 21% were supporting a child over age 18.¹ An earlier study of middle-aged adults (ages 40 to 59) found that 15% were providing financial support to an aging parent (65 or older) while also raising a young child or financially supporting an adult child.²

If you find yourself caught in the middle — or if you are an “open-face sandwich” supporting an elderly parent or an adult child — here are some tips to consider.

Communicate and set limits. Older people may be reluctant to discuss their financial situations, but you can’t help unless you understand your parents’ financial resources and obligations. Help set up a budget, including long-term care needs. Don’t volunteer your own funds unless it is absolutely necessary and you can afford it. Depending on the situation, it may be better to spend down an older person’s assets in order to trigger eligibility for Medicaid and other government programs.

Be open with your children about the limitations of your financial resources, and set reasonable goals and guidelines. A college student should bear at least some financial responsibility, working and/or taking student loans, and it is not unreasonable to limit college choices based on affordability. Financial help for an adult child might be

given in the form of a loan with a defined repayment plan. A working adult child who lives with you should pay some rent and help with other household responsibilities.

Have an estate plan. Be sure that you, your parents, and any adult children all have current wills and other appropriate documents, such as powers of attorney for health care and finances. A transfer-on-death deed may keep the family home out of probate in some states, while a trust may provide broader asset protection and help control funds. An incentive trust might provide your child with funds only at certain ages or after accomplishing certain milestones. A special-needs trust may help maintain eligibility for government programs for a disabled child or adult. These are just examples; trusts can be constructed to address almost any situation.

Get professional help. When faced with competing and potentially emotional financial priorities, you may benefit from a financial professional who can examine your situation objectively and help you balance the needs of your loved ones with your own financial stability and future goals.

While trusts offer numerous advantages, they incur up-front costs and often have ongoing administrative fees. The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional and your legal and tax advisers before implementing such strategies.

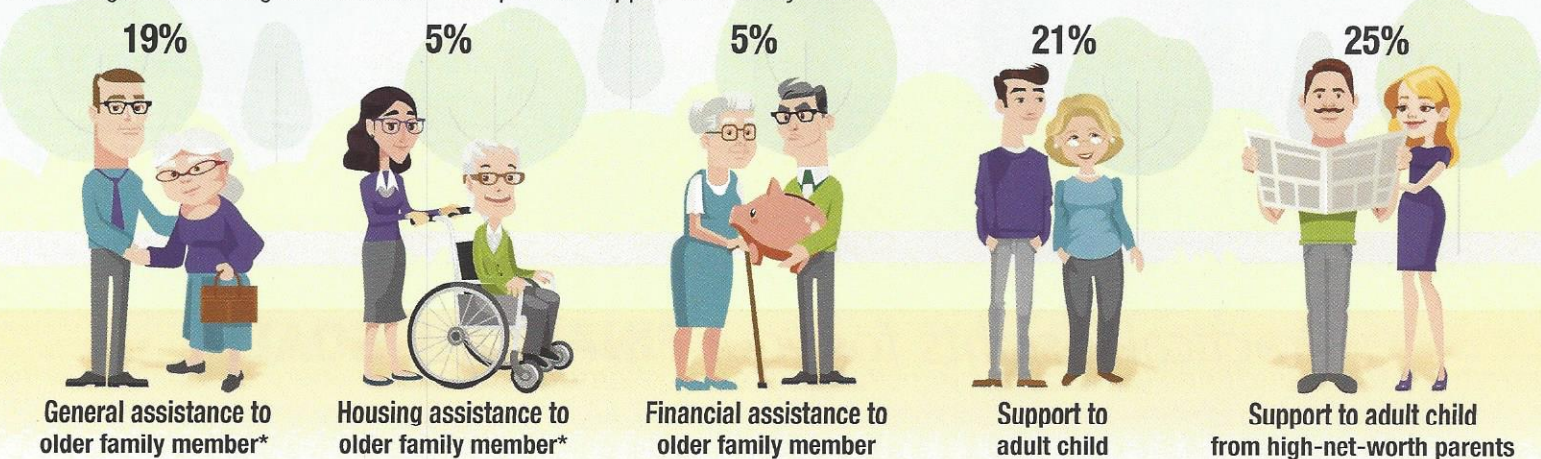
Although there is no assurance that working with a financial professional will improve investment results, a professional who focuses on your overall objectives can help you consider strategies that could have a substantial effect on your long-term financial situation.

1) *Financial Planning*, February 13, 2019

2) Pew Research, 2013 (most recent data available)

Spread Too Thin?

Percentage of adults age 35 and older who provide support to a family member



*Includes regular assistance with chores, cooking, cleaning, transportation, etc.

Source: *Financial Planning*, February 13, 2019 (a respondent may be in multiple categories)

Money Market Bank Accounts and Mutual Funds

The money market is not a specific market but rather a network of banks, brokerages, and other financial institutions that trade short-term IOUs, such as Treasury bills, certificates of deposit (CDs), commercial paper (unsecured business loans), and other financial instruments. Because of the short maturities, money market investments are considered relatively stable, and you can usually access your funds fairly easily.

Stability and Liquidity

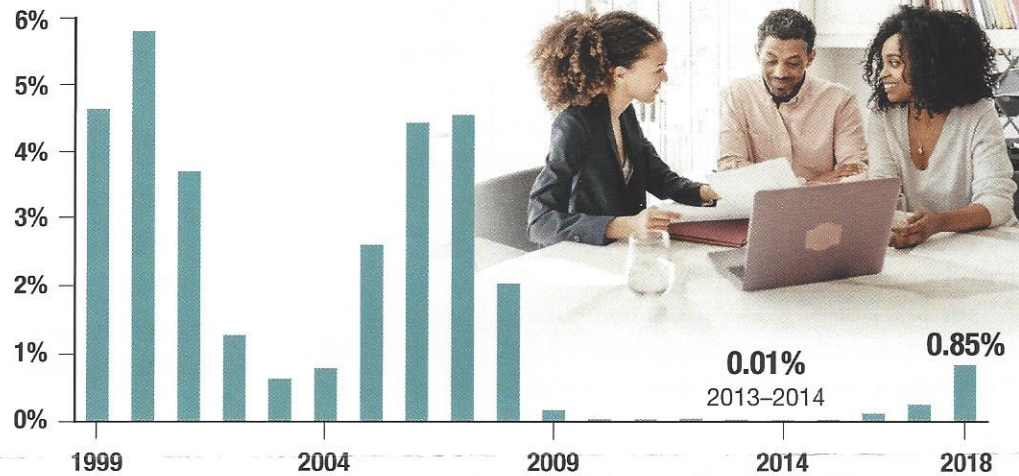
In return for stability and liquidity, the money market typically pays lower interest rates than longer-term bonds and other debt instruments. In fact, during the extended period of low rates that followed the recession, money market returns were barely above zero. That has begun to change as the Federal Reserve has steadily raised the benchmark federal funds rate, but rates are still low (see chart).

For this reason, money market bank accounts and mutual funds are generally not appropriate for long-term goals such as saving for retirement or college. But they can be useful for building an emergency fund that is readily accessible and earns at least some interest — better than keeping money under the mattress!

Bank Accounts

Bank money market accounts are similar to savings accounts, but they typically offer higher interest rates and might also offer limited check-writing privileges. (The bank may invest deposits in the money market, but this does not directly affect the depositor.) These accounts might require a minimum balance and may offer higher interest rates for higher balances. Unlike a certificate of deposit, funds can usually be

Annual Returns on Money Market Mutual Funds



Source: Thomson Reuters, 2019, 30-Day Money Market Index – All Taxable, for the period 12/31/1998 to 12/31/2018. The performance of an unmanaged index is not indicative of the performance of any particular investment. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results. Actual results will vary.

withdrawn relatively easily from a money market account, but there may be a penalty if the account is closed before a specified date.

The Federal Deposit Insurance Corporation (FDIC) insures CDs and bank savings accounts, including money market accounts, up to \$250,000 per depositor, per insured institution.

Mutual Funds

Money market mutual funds are pooled investments similar to other mutual funds, except they invest in the money market rather than stock or bond markets. These funds seek to preserve a stable value of \$1.00 per share and can generally be liquidated fairly easily. They are typically used as the “sweep account” for clearing brokerage transactions, and investors often keep cash proceeds in the fund on a temporary basis while looking for another investment.

You might keep some assets in a money market mutual fund to balance riskier investments, but low yields can expose your assets to inflation risk,

and you might miss the opportunity to pursue growth through other investments.

Unlike bank money market accounts, money market funds are neither insured nor guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in such a fund.

U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities fluctuates with market conditions. If not held to maturity, they could be worth more or less than the original amount paid.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

Beware of Imposters

In 2018, for the first time, imposter scams topped the list of consumer complaints to the Federal Trade Commission. Almost half of the reports related to “government scams” in which criminals falsely claimed to represent a real or fictional government agency. A government scam might involve a threat for owing back taxes or fines, an alleged expired Social Security number, or a fake prize or grant that requires certain fees.¹

Other types of imposter scams include fraudulent claims of being a business representative, a tech-support expert, a friend or relative in distress, or a potential romantic partner. About one out of five consumers involved in imposter scams reported losing money, with a median loss of \$500. Romance scams were the most expensive of all types of fraud, with a median loss of \$2,600.²

Here are some tips to help protect yourself from imposters.

Don't send money. Wiring money or sending a gift card or a reloadable cash card is like sending cash; once it's gone, it cannot be recovered.

Don't pay for a prize. If you won a legitimate sweepstakes, lottery, or grant, you would not be asked to pay fees to collect your prize. If you did not enter a contest or apply for a grant, you cannot have won.

Don't provide personal or financial information. Never provide account numbers, your Social Security number, or other sensitive information to anyone who contacts you by phone, text, or email.

Don't trust a name or number. Scammers use legitimate-sounding names and titles and can use technology to make

The Big Bad Three

Almost half of all consumer complaints in 2018 were in three categories:



The next three most common complaints were associated with telephone and mobile services (5.5%), shop-at-home and catalog sales (4.8%), and banks and lenders (4.6%).

Source: Federal Trade Commission, 2019

it appear that they are calling, texting, or emailing from a particular location; a call from “Washington, D.C.” could be from anywhere. An email might appear to be from a friend or relative, or even from you!

Contact the organization directly. If you are uncertain whether a call, text, or email is legitimate, contact the government agency or business directly through a known telephone number and discuss the situation with a legitimate representative. Do not use contact information provided by the suspicious contact.

If you encounter an imposter scam or have other consumer problems, you can file a complaint at [ftc.gov/complaint](https://www.ftc.gov/complaint).

1–2) Federal Trade Commission, 2019

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Do you feel squeezed by competing financial priorities? We can help you develop a strategy to balance your current needs and long-term goals. Call for an appointment today.

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