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Hello Everyone,

Given that September is life insurance awareness month we have included an article about life insurance. If you are interested in estimating the amount of life insurance you need, you can find a calculator on our website at www.EyeOnArgus.com/calculators.cfm.

To find out more about the different kinds of life insurance and which ones may be right for you, please contact your financial advisor.

If you are inspired to read more financial information, visit our Learning Center at www.EyeOnArgus.com.

Please feel free to suggest topics by sending your suggestion to Joy Britton, Client Services Manager, at joy@EyeOnArgus.com.

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Excellence is Defined by the Success of Our Clients



Summer 2013

Six Things I Think I've Learned

May 1 of this year was my 46th anniversary in the profession of financial advice. It was on Monday, May 1, 1967—a day on which the S&P 500 closed at 94, and 9.4 million shares traded on the New York Stock Exchange—that I joined E. F. Hutton & Company's stockbroker training program. The comparable statistics for this May 1: the S&P 500 closed at 1,583, on NYSE volume of 3.5 **billion** shares. Those numbers alone should suggest to you one very important thing I've learned in the interim, but perhaps I'm getting ahead of myself.

I would like to share with you a few of the really important things I think I've learned in those 46 years, in the hope that you may find some of them helpful in framing your conversations with your own financial advisor.

Two important caveats must be entered into the record at the outset. (1) These are no more than one man's opinions. I claim no particular expertise, other than that which may come (and then again may not) from very long experience. (2) Nothing in what follows proves anything about the future. Proof of the future is not just beyond my, but

beyond man's, competence. I can't prove to you that the sun will come up tomorrow, much less that you or I will be here to see it if it does. If you think you've found a forward-looking

statement anywhere in this essay, I assure you that it's in your imagination and not in what I've written. With all of that said:

(1) The single most astonishing thing to me, over the course of my career, has been the sheer magnitude and volume of economic progress. Indeed, real U.S. Gross Domestic Product in my lifetime (which began in 1943) has increased about sixfold. In English, that means that the value of the goods and services being produced by each American, **after subtracting inflation**, is six times what it was when I was born.

You can see some of that progress reflected in the statistics I cited above. The S&P 500 has risen close to 17 times—dividends have actually grown even more—and the return of the S&P 500, with dividends compounded, has been about 9.6% over these 46 years. Yet in that time we've had wars, recessions, savage bear markets, natural disasters, assassinations, a presidential impeachment, financial crises, geopolitical turmoil, oil embargos and catastrophic terrorism. The story of my career is one seemingly intractable crisis after another. Yet here we are: as I write, stock prices are higher than they've ever been, and so are dividends. There's been a great lesson for me in this.

(2) The world doesn't seem to end, although from time to time it gives every indication that it's trying to. Perhaps this is what the legendary investor John Templeton was thinking of when he opined that among the four most dangerous words in investing are "It's dif-

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ferent this time.” Whenever we're going through a crisis that seems to be without historical context—the terrorist atrocities of September 11, 2001, for example, or the global financial collapse of 2008-2009—it's just human to fear that we've arrived at the end of history, or at least the end of financial life as we've known it.

But always in the past, and particularly during my career, good companies have reacted rationally to challenges which seem to be without precedent. They close plants, cut production, sell off inventory, lay people off for whom they've no work, husband their cash, even cut dividends temporarily if need be—and ride out the storm. Earnings plummet, and so, for a while, have stock prices.

But as the storm passes, solid companies' fortunes have historically recovered. They've re-opened plants, hired people back, resumed dividends, developed new products, entered new markets. And again, here we are. I guess what I'm trying to say is that there are always crises without apparent context, but there've always seemed to be tried and true ways good companies can respond rationally, and ultimately prosper by doing so. I've learned, I think, to believe very strongly in the resilience of good companies.

(3) It's always seemed as if progress was slowing down, when in fact it keeps speeding up. The computer embedded in my middle school granddaughter's iPhone 5 is a million times smaller, was a million times cheaper, and is a thousand times more powerful than the gigantic IBM mainframe computer that powered E. F. Hutton & Company that day I joined them in 1967. That's a billionfold increase in computing power per dollar, just in my career.

And today, we've entered the era of cloud computing, of 3D printing, of product engineering at the molecular level—technologies of great promise, still only in their infancies. I think I've learned, as Al Jolson said, that I ain't seen nothin' yet. As an investor, I've found that a very important conclusion.

(4) Four and a half decades ago, when I entered the financial services industry, economic life on the planet was basically North America, Europe and Japan. The rest of the world was, if not in total darkness, relatively inconsequential economically. The Soviet Union and China were militarized dungeons, and India was the epitome of socialism: that is, perfectly shared poverty and misery. Today, some of these economies (along with coun-

tries like Brazil, South Korea, Indonesia and Mexico) are the growth engines of the world. As recently as 2004, General Motors sold ten cars in the U.S. for every one it sold in China; this year that ratio is projected to be one to one.

I think I've learned that, as important as this country is and will be to the world economy, the real growth—the vaulting of tens of millions of people a year out of poverty and into the middle class—is in the emerging economies. I think, too, that sometimes American investors don't seem able to look past our own very real fiscal woes in order to see where the significant growth opportunities may lie.

(5) In World War II, the Allies burned seven billion barrels of oil; six billion came from the U.S. By the time I came into Wall Street, we had begun to lose our energy independence, and by 1973—and again in 1979—OPEC was able to hold us hostage, doubling and tripling the price of oil at will, as Americans sat in interminable gas lines.

Today, thanks to the twin revolutions of horizontal drilling and hydraulic fracturing, America is estimated to become the world's largest oil producing nation again by 2020. We've discovered that we're sitting on a hundred years' supply of shale gas. And because U.S. natural gas can cost a third to half what it does in Europe and Asia, manufacturing jobs which shipped out a decade or two ago in search of cheap labor are already coming home in search of cheap energy. I think I've learned to be highly skeptical of the concept of peak oil, and very hopeful about our country's energy future.

(6) Finally, my career as both an investor and an investment advisor in one sentence: I think I've found that in my time, the pessimists have always figured out a way to be really wrong, while the optimists—may I say “we optimists”?—have kept on figuring out ways to be right.

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Life Insurance: Where to Start

Whether you are married or single, a parent or without children, life insurance can play a key role in your financial plans. However, millions of Americans have no life insurance coverage whatsoever, and of those who do, many don't have enough.

Appreciating the importance of having adequate life insurance is one step, while assessing your own unique needs is quite another.

Where to Start

Many people obtain life insurance when they first have children and then forget about it, except for when the premium bill comes due. But an effective financial plan includes reexamining your life insurance needs continually throughout your life to ensure the assets you've accumulated are protected and to provide additional opportunities to create wealth.

As a starting point, determine your net earnings after taxes as well as your routine living expenses. Other factors to include in your calculations include:

- Any outstanding debt that you owe, such as a mortgage or education loans;
- Future tuition bills for your children;
- Funeral and/or potential uninsured medical costs; and
- How much your surviving spouse might need to adequately fund a retirement nest egg.

Generally, you'll want a benefit that will cover all of these expenses. Some planning specialists believe a good rule of thumb is to buy a policy that would provide the equivalent of five to seven times your annual salary. That standardized approach may work for some people, but in reality your decision may not be that simple.

While ensuring the financial security of loved ones is a critical use of life insurance, there are other ways it can be used to meet planning goals throughout your life. For instance, people in their peak earning years can use life insurance to protect their wealth while accumulating additional tax-deferred assets. Older people can use life insurance as an integral part of an estate planning strategy designed to pass more wealth to future generations.

What Type of Policy Is Right for You

Once you have an idea of the coverage you need, evaluate whether term life or permanent life insur-

ance is more appropriate for you. Term life is the more basic and less expensive form of life insurance -- particularly for people under age 50. A term policy provides coverage for a predetermined period of time, typically one to 10 years, but policies are also available for longer terms. Premiums increase at the end of each term and can become prohibitively expensive for older individuals. Unlike many other policies, term insurance has no cash value and benefits are paid only if you die during the policy's term.

Permanent life insurance combines death benefit protection with a tax-deferred savings component. With permanent life insurance, as long as you continue to pay the premiums, you are able to lock in coverage at a level premium rate for the life of the contract. Part of that premium accrues as a tax-deferred cash value. As the policy's value increases, you may be able to borrow up to 90% tax-free at attractive interest rates. If you do not repay the borrowed money, it will be taxable as income at then-current rates. And if you're younger than age 59 1/2, you may also be subject to an additional 10% IRS early withdrawal penalty.

Determining the right type and amount of life insurance coverage you need is easier said than done. Your financial professional can help you make an accurate assessment of your needs.

The cost and availability of life insurance depends on such factors as age, current health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insured by having the policy approved. There are also expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges.

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Social Security Tip

Social Security retirement, disability, and survivor benefits are paid the month after they are due. For example, if you tell Social Security that you want your benefits to start in May, you will receive your first benefit check in June. If you want to receive your first benefit check in May, you will need to both be eligible for benefits in April AND tell Social Security that you want your benefits to start in April.

To learn more about when Social Security benefits are paid, go to: http://ssa-custhelp.ssa.gov/app/answers/detail/a_id/8.



The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.

Argus Newsletter Spring 2013



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