



The Lighthouse

VOLUME 1 / ISSUE 1

Welcome!



Welcome to the first edition of the **Moshides Financial Group** client based newsletter, ***THE LIGHTHOUSE***. When MFG first started, we chose the lighthouse as the symbol of our company's mission, which is to guide our clients toward financial security and peace of mind in their lives. Our goal is to keep our friends and clients informed of the most up-to-date strategies available to help grow and protect their financial futures.

For more than three decades we have stayed on the cutting edge of providing assistance to our clients with their financial challenges. We value relationships and our objective is to help you make good decisions for your unique structure.

We would also like to keep you informed on issues outside of finances where you may have an interest. Make sure you see "Kitchen Korner" inside this addition. We are confident you will enjoy reading our gastro insights!



Moshides Financial Group

Your Guide to Financial Security

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A PIECE OF MIND

COURTESY OF JOHN MOSHIDES
CLU, CHFC, AEP, CLTC

Inheritance choices: What will you leave behind?

History is full with examples of parents taking actions they believe will improve the lives of future generations.

What is equal in the context of family?

One of the most challenging aspects of planning an inheritance is that, families are complicated. American families are varied throughout the country but their members tend to fall into one or more of a few broad categories. According to the *Key Findings Report* in the 2014 U.S. Trust Insights on Wealth and Worth:

- **Single person:** About one-fifth of wealthy participants, in a recent survey, had never married or had not remarried after being divorced, separated, or widowed (a small percentage are cohabitating).
- **Traditional marriage:** About three-fourths of affluent Americans are in their first marriage and two-thirds have children.
- **Blended marriage:** The Silent Generation (24 percent) and Baby Boomers (17 percent) are more likely than younger generations to have blended families, meaning they have remarried after being widowed or divorced and may have step-children.
- **Multi-generational household:** Generation X (11 percent) and Millennials (32 percent) are more likely to live in multigenerational households, meaning they have either live with siblings, parents, or grandparents, or have adult children, parents, or grandparents living with them.

In the context of family, what seems like the simplest choice – dividing assets equally among all of heirs – becomes quite tricky because equality is in the eye of the beholder. A grown son may believe he deserves a bigger slice of financial pie because his family has the most children. A daughter may believe she deserves more because she was the primary caregiver when you were ill. Mix subjective judgments about fairness with the complexities of modern American family structure and inheritance issues can become quite touchy.

Minimizing inheritance disputes

Determining an equitable division of assets is never easy, not even for single parents or couples in traditional families. One child may suffer a disability, have an addiction problem, run the family business, be less successful than siblings, or have made life decisions parents are uncomfortable supporting. If your family circumstances necessitate an uneven distribution of assets, there are a myriad of ways to try and minimize the conflicts that may accompany the decision. These include:

- **Acting discretely.** If you've decided an unequal division of assets is necessary and know your children will not be happy with your decision, consider establishing a discreet trust for each child. The advantages of discrete trusts are they can be funded unequally and each one can have completely different distribution triggers and incentives. In addition, each child will only be apprised of the provisions of his or her trust unless the information is shared. Make sure the assets that will fund each trust are properly titled.

- **Establishing a shared trust.** If you distribute the majority, but not all, of your estate equally among heirs, the remainder (perhaps one-fifth or one-quarter of the assets) can fund a shared trust to be used when an heir has an emergency need. The trust should have an objective third-party trustee who will be responsible for distributing funds fairly.
- **Choosing your executor carefully.** Some say it's best to follow family hierarchy and make your oldest child executor. Others say it's best to choose a family member who is organized, hardworking, honest, and a good communicator. Still others will suggest you appoint a committee of executors because of the checks and balances a group provides. No matter what you decide, make sure everyone understands your choice.
- **Explaining your thinking.** The difference between family harmony and an ongoing feud may be determined by how clearly you communicate with your family. The Wall Street Journal suggests, *"Whenever possible, try to be open about your inheritance plan while you are still alive, so every family member truly understands it, minimizing the chances for suspicions to arise later. If you don't want to have this difficult conversation while you are alive, you can write a letter or make a video elaborating on the reasons and thought process behind your plan and making it clear that these decisions are yours alone."*

There is no right or wrong answer when it comes to inheritance. Parents will make decisions based on their knowledge of family dynamics and individual needs. *The AALL Journal* suggests taking "a multi-faceted approach that combines psychology, good lawyering, a lot of self-awareness, and a good dose of common sense." If you haven't recently, you may want to give us a call to review your will and estate plan.



Getting Involved

It has been our privilege to be involved with St. Luke's Mission and the incredible work they perform day in and day out. For more information visit stlukesmissionofmercy.org.



Investing Wisely

COURTESY OF CHRIS ALDERSON CFP, CLTC

Sometimes Truth is Stranger than Fiction: **Negative Interest Rates**

Imagine a world where banks offer to pay borrowers for taking loans. In this world, financial institutions also require depositors to pay for the privilege of having the bank hold their money. If it seems like something you might find in a science fiction novel, cast your eyes toward Europe.

While bond investors in the United States have waited and waited and waited for interest rates to rise, bond investors in Europe have watched certain interest rates drop below zero. In fact, during the first quarter of 2015, bonds issued by Germany, Switzerland, the Netherlands, France, Belgium, Finland, and Italy offered negative rates of return. *The New York Times* reported:

“The most profound changes are taking place in Europe’s bond market, which has been turned into something of a charity, at least for certain borrowers. The latest example came on Wednesday when Germany issued a five-year bond worth nearly \$4 billion with a negative interest rate. Investors were essentially agreeing to be paid back slightly less money than they lent.”

Why would bond investors accept a guaranteed loss? *The Economist* explained they are being cautious. Uncertainty about what might happen to banks if Greece leaves the euro has investors willing to accept a small loss in order to avoid a potentially greater one.

I know what you did last summer

The negative rate phenomenon began in mid-2014 when the European Central Bank (ECB) lowered its deposit facility rate – the rate banks use to make overnight deposits in the Eurosystem – into negative territory. In June 2014, the ECB paid -0.1 percent. The ECB explained the cut was one of several measures intended to ensure price stability over the medium term, a condition required for sustained economic growth. By September, it lowered the rate to -0.2 percent. (By way of comparison, the U.S. Federal Reserve paid a positive return during the same period and was 0.11 percent early in 2015.)

Personal Notes



Jaclyn Kadish

Jackie became part of the administrative team at Moshides Financial Group in 2014. Jackie is our Customer Service Coordinator. She is typically the first person to answer our phones and assist our clients with routine service requests. Jackie also handles new insurance business applications and file preparation for client review meetings. Jackie is a graduate of Canisius College in Communications. In her free time Jackie enjoys playing softball and kickball for local teams.

While investors may be familiar with the idea of negative *real* rates of return (the return earned on a bond or paid on a loan after factoring in inflation), the idea of negative *nominal* rates (the rate given by the original issuer of a bond or the rate a borrower agrees to pay on a loan) is confounding. It begs the question: When offered a negative rate of return on an investment or deposit, why wouldn't an institution or individual choose to hold cash instead? Richard Anderson and Yang Liu of the *St. Louis Federal Reserve* explained:

“Negative interest rates fascinate both professional economists and the public. Conventional wisdom is interest rates earned on investments are never less than zero because investors could alternatively hold currency. Yet currency is not costless to hold: It is subject to theft and physical destruction, is expensive to safeguard in large amounts, is difficult to use for large and remote transactions, and, in large quantities, may be monitored by governments.”

Of course, that doesn't mean individuals or institutions will keep money in banks if interest rates remain in negative territory. According to *The New York Times*, economists speculate cash hoarding may become common when interest rates reach -5 percent.

The effects of negative interest rates

The ECB hopes negative rates will help spur spending, stimulate economic growth, and pull the region out of a deflationary period. *Bloomberg* reported rates below zero are intended to incentivize banks that have been stockpiling cash at the ECB to extend loans to businesses and, thus, help reinvigorate the economy.

Negative rates also are expected to encourage individuals to save less and spend more which could further spur economic growth. “If saving is a losing proposition, investment and consumption should rise, buoying the economy,” reported *The Economist*. So far, that has yet to happen.

While it's difficult to gauge whether negative rates will prove to be an effective central bank policy tool, we can say with certainty that we live in interesting times.

These articles are provided in part by Peak Advisor Alliance.



Jeffrey Wohlfahrt

Jeff joined Moshides Financial Group in 2015. Having started in the Financial Services business in 2006, Jeff brings a wealth of knowledge to our team as our Wealth planning specialist. He will be supporting both John and Chris in the creation and maintenance of comprehensive financial plans for our clients. Jeff has been a long time resident of the Buffalo area and received his degree in Business Administration and Finance from SUNY at Buffalo. He currently lives in Lancaster with his wife, Susan. In his free time Jeff enjoys the outdoors, weightlifting and is an avid Bills and Sabres supporter. We are delighted to welcome him to our organization and we hope you have the chance to meet Jeff soon.

Healthy Tips



As we all know our health is a very important part of our life planning. We hope by including this Healthy Tip it will inspire everyone to ...

Get Up! Stand Up!

Sitting is bad for your health. Whether you're sitting at a desk doing work, in a classroom listening to a lecture, or on a ship sailing the ocean, research suggests extended periods of sedentary behavior may increase the likelihood of high blood pressure, heart disease, diabetes, kidney disease, and cancer, as well as poor mental health. No one is sure why sitting is such a problem, but it is. According to The New York Times researchers have found:

“ ... After an hour or more of sitting, the production of enzymes that burn fat in the body declines by as much as 90 percent. Extended sitting, they add, slows the body's metabolism of glucose and lowers the levels of good (HDL) cholesterol in the blood. Those are risk factors toward developing heart disease and Type 2 diabetes.”

Adding insult to injury is the fact risk levels don't change even if you hit the gym for a tough workout after sitting all day. An Australian study published in JAMA Internal Medicine found people who sit for more than 11 hours a day have a much higher risk of dying within three years than more active people. The odds were better for people who exercised five or more hours a week, but exercise didn't entirely offset the negative effects of sitting.

You like to move it, move it ...

According to The Economist, “A typical car-driving, television-watching cubicle slave would have to walk an extra 19 km (about 12 miles) a day to match the physical-activity levels of the few remaining people who still live as hunter-gatherers.” Fortunately, research hasn't indicated a hunter-gatherer level of activity is required to improve health outcomes. You don't even have to join a gym, according to the experts. Just engage in moderate activity throughout the day. Here are some suggestions for becoming more active:

- **Stand up.** Standing requires muscle activity and supports processes related to the breakdown of fats and sugars within the body. In other words, it has a far different effect on the body than sitting. Standing desks are widely available as are options to convert a regular desk into a standing desk.
- **Break it up.** Walk for two minutes every 20 minutes or so. Do a lap around your building or walk to a colleague's office for a chat instead of sending an email.
- **Engage in desk-ercise.** Look into exercise equipment for your desk. Depending on your preferences, you may opt for elliptical paddles, cycle pedals, or a skateboard platform. If you have more disposable income, you may want to invest in a treadmill desk.

No matter how you do it – making trips to the grocery store on foot, gardening in the cool evening hours, walking with colleagues instead of sitting at a conference table, or being active in other ways – building leisurely activity into your day has the potential to greatly improve your health.



So Many Vacations, So Little Time

Are you ready for a vacation? Does your ultimate holiday include de-stressing while listening to the soothing rhythms of ocean waves? Taking your mind off everyday issues by immersing yourself in a new culture? Re-energizing by taking on a challenging physical adventure? Here are a few opportunities that may satisfy your vacation cravings – no matter what they are! Here at MFG we encourage all to make the most out of free time, take advantage of that vacation, get a little “culture”!

Bike or hike the Czech Greenways: Travel from Vienna to Prague, or Prague to Vienna, through some of Europe’s most pristine countryside. The Czech Greenways are a web of country roads and trails, many of which follow the former Iron Curtain. The trail is filled with historic towns, picturesque villages, romantic castles, and medieval churches.

Observe the Pacific Flyway: If you know that Black Turnstone, Marbled Godwit, and Verdin are not varieties of granite, then you might want to try bird watching in Southern California. Playa del Rey, the Bolsa Chica wetlands, and the Salton Sea are great areas to watch migration.

Hone your culinary skills: If you’re passionate about food, why not travel to Paris and spend some time at one of the most esteemed cooking schools in the world? Le Cordon Bleu Academie d’Art Culinaire offers short programs, lasting from two hours to four days, that will help refine the way you prepare desserts, sauces, breads, and other dishes.

Meditate silently: Researchers have found that meditation increases gray matter in the parts of the brain that are responsible for learning and memory, and reduces regions that are responsible for anxiety and stress. If a few days of meditation and quiet appeal to you, look online for retreat options.



As Mark Twain once said,

“Twenty years from now you will be more disappointed by the things you didn’t do than by the ones you did do. So throw off the bowlines, sail away from the safe harbor. Catch the trade winds in your sails. Explore. Dream. Discover.”

Kitchen Korner with Cheryl Stoelting

The holidays are fast approaching so we’ve got a great sugar cookie recipe for cut outs. We hope try it out!

Soft Sugar Cookies

Preheat oven to 425°. In a large bowl with a mixed together:

- 1/4 c shortening
- 1/4 margarine
- 1 egg
- 1 tsp vanilla
- 1 c sugar
- 1/2 c sour cream

In another bowl, sift together the dry ingredients:

- 3 1/4 c flour
- 1 tsp baking soda
- 1/2 tsp salt



Add dry ingredients to the creamed mixture in thirds until just combined. It should be a little sticky. Refrigerate for at least one hour. After an hour on a hard surface, cover with flour. Take one half of the dough and roll it in some of the flour so it’s not sticky. Then roll out until desired thickness. Cut into shapes and bake on a greased or parchment covered cookie sheet for about 8 minutes or lightly browned on the bottom. Frost as desired.



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