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Investment News

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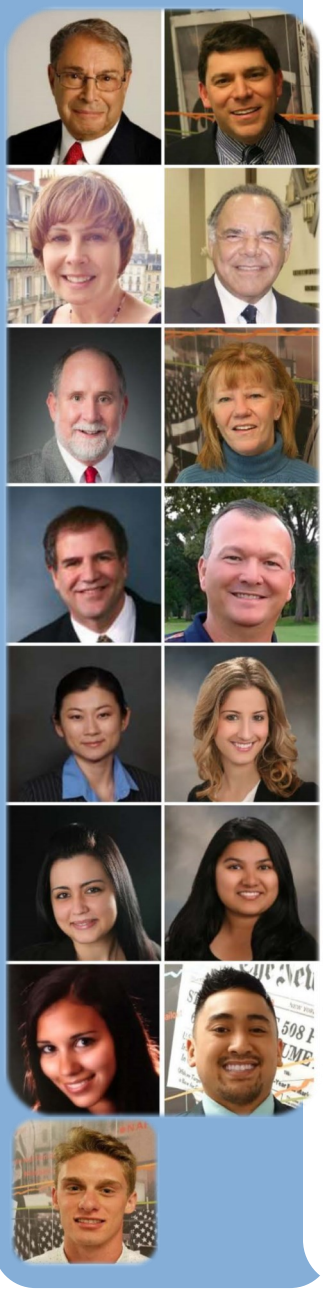

To Catch a Thief

Having your identity stolen may be costly.

Many Americans have taken steps in recent years to protect their personal information, but savvy cybercrooks have overcome some of those defenses. A 2018 Javelin Research report found identity theft hit an all-time high in 2017, affecting an estimated 16.7 million consumers. For the first time, Social Security numbers were compromised more frequently than credit card numbers.[1]

If you have not taken measures to protect yourself, it may be a good idea to consider your options.

Individuals can take four basic steps to help protect themselves against identity theft. These steps are represented by the acronym SCAM.

S. Be *Stingy* when giving out your personal information. Make sure the person requesting the information is on a "need-to-know" basis. For example, someone who claims to be calling from your bank does not need to know your mother's maiden name if it is already on file with the bank.

C. *Check* your financial information periodically. If you get hard-copy credit card or bank statements mailed to you, consider keeping these documents in a safe, secure location. Be skeptical if it appears the financial institution missed a month. Identity thieves may try to change the address on your accounts to keep their actions hidden from you for as long as possible.

A. From time to time, *ask* for a copy of your credit report. This report shows bank and financial accounts in your name and may help provide evidence if someone has used your name to open another account. To obtain a report, contact any of the three major credit bureaus: Equifax, Experian, or TransUnion.

M. *Maintain* good records of your financial accounts and obligations. Retain your monthly bank and credit card statements, either in hard-copy or digital form. Easy access to this information may make it easier to dispute a transaction, especially if your signature has been forged.

Additionally, consider these steps. Think about guarding the information on your phone the way you protect the data on your computer: with security software, data encryption, and a password necessary for basic access. You could also choose two-factor authentication at the websites of the retailers you frequent most; this potentially gives you the same degree of protection you would get with a brokerage or bank account. You could also elect to freeze your credit report at the major credit bureaus, for a small fee.[1]

If your identity is stolen, you may face not only out-of-pocket financial loss, but the additional cost of trying to restore your good name. Help protect yourself by using caution when sharing your personal information and keeping an eye out for warning signs.

Citations.

1 - https://www.cbsnews.com/news/identity-theft-hits-record-high/ [2/6/18]

INSIDE THIS ISSUE:

Is America Prepared to Retire?

A look at some ways to get ready.

Are Americans saving enough? Only 19% of U.S. adults describe themselves as "very confident" when asked about their savings. Worry spots include retiring without enough money saved (16%) and anxiety about having a "rainy day" emergency fund (14%). These findings come from the 2018 Consumer Financial Literacy Survey conducted by the National Foundation for Credit Counseling. (The survey collected data from 2,017 U.S. adults.)[1]

Only 41% of us keep a regular budget. If you are one of those roughly two-out-of-five Americans, you're on the right track. While this percentage is on par with findings going back to 2007, the study also finds that while 65% of Americans are saving part of their annual income towards retirement, 29% indicate they are "not at all confident" that their savings will be enough to sustain them.[1]

Relatively few seek the help of a financial professional. When asked "Considering what I already know about personal finance, I could still benefit from some advice and answers to everyday financial questions from a professional," 79% of respondents agreed with the statement. Yet only 13% indicated that they would seek out the help of some sort of financial professional if they had "financial problems related to debt." While it isn't surprising to think that 24% of respondents would turn to friends and family, it may be alarming to learn that 18% would choose to turn to no one at all.[1]

Why don't more people seek help? After all, Americans of all incomes and savings levels certainly are free to set financial goals. They may feel embarrassed about speaking to a stranger about personal financial issues. It may also be the case that they feel like they don't make enough money to speak to a professional, or perhaps, a financial professional is something that millionaires and billionaires have, not the average American worker. Another possibility is that they feel like they have a good handle on their financial future; they have a budget and stick to it, and they contribute to an IRA, 401(k), or have some other investments. But that 79% admission, mentioned above, indicates that a vast majority of Americans are not as confident.[1]

Defined goals lead to definite strategies. If you set financial objectives, you vault ahead of most Americans – at least according to these findings. A written financial strategy does not imply or guarantee wealth, of course, nor does it ensure that you will reach your goals. Yet that financial strategy does give you an understanding of the distance between your current financial situation (where you are) and where you want to be.

How much have you strategized? Retiring without a financial strategy is an enormous risk; retiring with a strategy that hasn't been reviewed in several years is also chancy. A relationship with a financial professional can help to bring you up to date about what you need to do and provide you with more clarity and confidence when it comes to the financial future.

Citations.

1 - nfcc.org/wp-content/uploads/2018/04/NFCC_BECU_2018-FLS_datasheet-with-key-findings_031318-002.pdf [3/13/18]

MARKET PERFORMANCE
01/01/2019 to 02/28/2019

DJIA ^DJI Up 11.10%
S&P 500 ^GSPC Up 11.08%
NASDAQ ^IXIC Up 13.52%
Russell 2000 ^RUT Up 16.83%

* Index performance does NOT include any fees (Gross of fees)

Source: http//finance.yahoo.com

Could Assumptions Harm Your Retirement Strategy?

Three common misconceptions to think about.

1 - Assuming retirement will last 10-15 years.
When Social Security was created in the 1930s, the average American could anticipate living to age 58 as a man or 62 as a woman. By 2014, life expectancy for the average American had increased to 78.6. That said, an average like may bely the fact that many retirees could live well into their nineties or beyond.[1,2]

Assuming you will only need 10- or 15-years' worth of retirement money could be a big mistake.

2 - Assuming too little risk.
Holding onto your retirement money is certainly important, but so is your retirement income and quality of life. While overall inflation has been below 3% for most of the past 10 years, your personal inflation rate may be higher. In that situation, your dollar gradually buys less and less. If your income doesn't keep up with inflation – essentially, you end up living on yesterday's money.
For this reason, a flexible retirement strategy will likely factor in many situations and scenarios; you cannot plan for every single scenario, but considering many possibilities may give you and your financial professional numerous options down the road.

3 - Assuming you will be in excellent health. While it's true that we lead healthier lives than our ancestors and that medical science and awareness of fitness and nutrition have improved and extended many American lives, that improvement doesn't cover every issue that comes with advanced age. Extended-care issues can sap away retirement funds.[3]

Recent findings by the U.S. Department of Health and Human Services offer some perspective: over a quarter of all people who have turned 65 between 2015-2019 are probably going to need $100,000 of extended care, while 15% of that same group is looking at $250,000.[3]

For these reasons, a retirement strategy should include some thinking about paying for extended care of this sort. Yes, Medicare can help you with the basics, but an insurance strategy that can accommodate longer hospital stays and care should also be a part of your thinking.[3]

Remember that good strategies also change over time, and you will probably want some help along the way. Make time to discuss these common assumptions, and how to avoid them, with your retirement professional.

Citations.
1 - ssa.gov/history/lifeexpect.html [2/19/19]
2 - pbs.org/newshour/health/american-life-expectancy-has-dropped-again-heres-why [11/29/18]
3 - kiplinger.com/article/insurance/T036-C000-S002-how-to-afford-long-term-care.html [1/31/19]

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Midlife Money Errors

If you are between 40 & 60, beware of these financial blunders & assumptions.

Mistakes happen, even for people who have some life experience under their belt. That said, your retirement strategy is one area of life where you want to avoid having some fundamental misconceptions. These errors and suppositions are worth examining, as you do not want to succumb to them. See if you notice any of these behaviors or assumptions creeping into your financial life.

Do you think you need to invest with more risk? If you are behind on retirement saving, you may find yourself wishing for a "silver bullet" investment or wishing you could allocate more of your portfolio to today's hottest sectors or asset classes, so you can "catch up." This impulse could backfire. The closer you get to retirement age, the fewer years you have to recoup investment losses. As you age, the argument for diversification and dialing down risk in your portfolio gets stronger and stronger. Diversification is an approach to help manage investment risk. It does not eliminate the risk of loss if security prices decline.

HORWITZ & ASSOCIATES
1650 LAKE COOK ROAD
SUITE 190
DEERFIELD, ILLINOIS 60015

(224) 632-4600 PHONE
(224) 632-4590 FAX
WWW.HORWITZADVISORS.COM

EDWARD HORWITZ—
ED@HORWITZADVISORS.COM

GERALD HORWITZ—
GAH@HORWITZADVISORS.COM

Have you made saving for retirement a secondary priority? It should be a top priority, even if it becomes secondary for a while, due to fate or bad luck. Some families put saving for college first, saving for mom and dad's retirement second. Remember that college students can apply for financial aid, but retirees cannot. Building college savings ahead of your own retirement savings may leave your young adult children well-funded for the near future, but you ill-prepared for your own.

Has paying off your home loan taken priority over paying off other debts? Owning your home free and clear is a great goal, but if that is what being debt free means to you, you may end up saddled with crippling consumer debt on the way toward that long-term objective. In late 2018, the average American household carried more than $6,900 in credit card debt alone. It is usually better to attack credit card debt first, thereby freeing up money you can use to invest, save for retirement, build a rainy day fund – and yes, pay the mortgage.[1]

Have you taken a loan from your workplace retirement plan? If you've taken this step, consider the following. One, you are drawing down your retirement savings – invested assets, which would otherwise have the capability to grow and compound. Two, you will probably repay the loan via deductions from your paycheck, cutting into your take-home pay. Three, you will probably have to repay the full amount within five years – a term that may not be long as you would like. Four, if you are fired or quit, the entire loan amount will likely have to be paid back by a deadline specified in your plan. Five, if you cannot pay the entire amount back and you are younger than 59½, the I.R.S. will characterize the unsettled portion of the loan as a premature distribution from a qualified retirement plan – fully taxable income subject to early withdrawal penalties.[2]

Do you assume that your peak earning years are straight ahead? Conventional wisdom says that your yearly earnings reach a peak sometime during your mid- to late-fifties, but this is not always the case. Those who work in physically rigorous occupations may see their earnings plateau after age 50 – or even, age 40.

Is your emergency fund now too small? It should be growing gradually to suit your household, and nowadays your household may need much greater cash reserves in a crisis than it once did. If you have no real emergency fund, do what you can now to build one, so you don't have to resort to a predatory lender for expensive money.

Watch out for these midlife money errors & assumptions. Some are all too casually made. A review of your investment and retirement savings efforts may help you recognize and steer clear of them.

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1 - nerdwallet.com/blog/credit-card-data/average-credit-card-debt-household/ [12/10/18]
2 - businessnewsdaily.com/11286-borrowing-against-401k.html [2/15/19]