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financial $UCCESS

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Securing Your Financial Life

While there might not be much we can do on an individual level to reduce crime, war, or even stock market corrections, we can take all appropriate steps to mitigate the risks under our control. If you're looking for ways to increase your financial security, consider the following tips:

✔ **Get your estate in order.** While dealing with your own mortality is often difficult, it is one of the most important things you can do to ensure your family can survive financially in the event of your death. Make sure your will reflects your current desires for the disposition of your assets and names a guardian for your minor children. You should also consider a durable power of attorney, which designates someone to control your financial affairs if you become incapacitated, and a health care proxy, which delegates health care decisions when you are unable to make them.

✔ **Review your portfolio.** If you're saving for goals that are decades away, stocks probably should continue to hold a major position in your portfolio. The lesson we should learn from recent stock market fluctuations is that our portfolios should be diversified. A properly diversified portfolio will help protect its value during market declines, while still offering higher return potential.

✔ **Take another look at your life insurance.** You need to purchase an appropriate amount of insurance to protect your family in the event of your death. The amount needed will depend on your current net worth, the lifestyle you want to provide for your family, and your personal circumstances and desires. Since your insurance needs will change over time, assess your insurance coverage periodically, especially after major events in

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Allocating Investments

How you allocate your investments depends on considerations such as what you're saving for, how much you've accumulated in your portfolio, how much more you plan to invest, how long before you plan to make withdrawals, how much you need to withdraw, and your tolerance for risk. What you are saving for is one of the most important considerations. If you're 35 years old and saving for retirement, your bond allocation will be very different than if you're 55 years old.

One of the most significant risks long-term investors face is that their investment portfolio won't keep pace with inflation. Before considering withdrawals, you need a rate of return at least equal to inflation for your funds to maintain their value in real terms over time.

Stocks are inherently more risky than bonds, but they also offer the potential for greater returns. If you can keep your money invested for the long term, you can ride out market fluctuations like stock market ups and downs. But when it comes time to withdraw money, you may want investments that are less risky. OOO

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Financial Life

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your life.

Obtain sufficient disability income insurance. You should consider disability income insurance if your current assets won't support you until age 65. Many companies provide short-term disability insurance that covers 100% of your salary for three to six months. Long-term disability insurance is typically less common and less generous. Thus, even if you have long-term disability insurance at work, you may want to obtain additional coverage. Your available resources and disability benefits should equal at least 60% of your pretax salary.

Make sure you have an emergency cash reserve. Consider setting aside at least three to six months of living expenses, although the exact amount will depend on your age, health, job outlook, and borrowing capacity. This can help tide you over in case of a job layoff, short-term disability, or large, unexpected expenditure.

Consider long-term-care insurance. This coverage may be especially important for women, who tend to outlive their husbands. You should probably purchase the insurance while you are in your 50s or 60s. After that, the premiums get much more expensive. Also, if you develop a serious health condition, you may not be able to purchase the insurance.

Protect your financial identity. While you typically won't have to pay for anything charged by an identity thief, you will have to work to restore your credit and to ensure all fraudulent accounts are closed. That can be time consuming as well as expensive. To help protect your financial identity, only give out your Social Security number when it is required, shred financial documents, cut up old credit cards, and review your credit reports periodically.

Keep your homeowners insurance up to date. Review your homeowners policy carefully so you understand what would happen if your home was totally destroyed. It is your responsibility to make sure you have adequate policy limits, so inform your insurance company when you make major improvements, get an inflation rider for your policy, and make sure your policy covers the total cost of rebuilding your home.

Protect your home. Obtain a good security system for your home. Make sure all doors are metal or solid wood with deadbolt locks, use bars or locks to secure sliding glass doors, and keep all entrances well lit.

Properly store important documents. Documents that you might need when the bank is closed, such as passports, birth certificates, wills, or insurance policies, can be kept in a fireproof home safe. Other documents, such as deeds, stock certificates, and titles, should be kept in a safe deposit box in a bank.

Please call if you'd like to review these tips in more detail. OOO

5 Tips for Novice Investors

If you're just making your foray into investing, you are likely to get investment advice from just about everyone you meet. At the end of the day, however, you're the one who has to live with the consequences of your investment decisions. Here are a few tips to get you started:

1. Start as soon as possible. The sooner you start investing, the more time you are allowing the market to grow your money. In addition, the earlier you start, the better insulated you'll be against the market's ups and downs.

2. Get smart. It's very easy to just follow someone's advice or do what everyone else is doing, but it's so important to conduct your own research of the market and different types of investments. You certainly don't have to become an expert. Learning about the marketplace and the players will arm you with questions for your financial advisor. Make sure the information comes from reliable, unbiased sources.

3. Seek professional help. While having an understanding of the market overall and your investments more specifically, you don't have to become a professional investor to find success. Get advice and investment management help from a trusted financial advisor.

4. Diversify. Diversification — allocating your investments across different asset classes and asset class categories — is a crucial component in reaching your investment goals. If you have all of your money in one investment and it declines substantially, your entire strategy is compromised.

5. Rebalance. It's important to update your strategy and rebalance your investments on an annual basis. When you develop an investment strategy, you allocate your funds in a way that fits your financial profile and goals at the time. However, at the end of the year, you may realize that the weighting of your asset classes has changed as certain assets have grown and others have shrunk. Rebalancing will bring your investments back into alignment with your strategy.

When you first get started, investing can be confusing and overwhelming, but following these five tips should make for an easier start. Please call if you'd like to discuss this in more detail. OOO

Bond Investing in 2014

Since November 2008, when the Federal Reserve Bank announced its plan to make significant purchases of bonds, the bond-buying programs known as quantitative easing have been significant drivers of movement in the bond market. Prior to 2008, observers would have predicted that the Fed's bond purchases would drive bond yields down. The thinking goes like this: as the Fed gobbles up the supply of bonds, their prices rise — and yields fall.

Indeed, that's how huge purchases of bonds *should* affect the bond market. But when it's the Fed doing the buying, it doesn't work that way. Quantitative easing has actually driven bond yields up. Why? Theories abound, but many observers argue that it's because when the Fed is doing the bond buying, it's signaling it will take action to heat up the economy. And who wants to own bonds if the economy is booming?

For the individual investor, though, tying a bond-investing strategy to what the Fed may or may not do and the outcome of that action is difficult. What the last six years have shown us is the age-old principles of bond investing — and the reasons to invest in bonds in the first place — still hold true. Those principles include predictable income, relatively infrequent and shallow losses, and diversification. Let's take each in turn.

Predictable Income

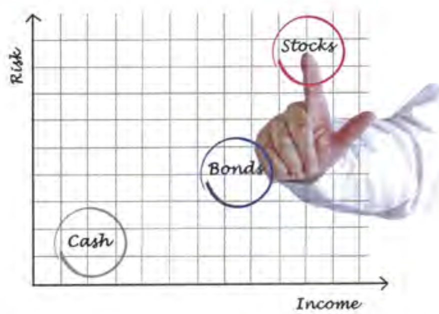
Predictability of bond income is measured by standard deviation — the amount of variation in annual bond yields over time. The lower the standard deviation, the more predictable the yield. And bonds are more predictable than stocks, on average. For example, between 1928 and 2013, the standard deviation of the 10-year Treasury bond was 7.8%, and the standard deviation of the 3-month Treasury bill was 3.1%. The standard deviation of the S&P 500, in contrast, was 20% (Source: New York University Stern School of Business, 2014).

Why are bonds relatively more predictable than stocks? Bonds are debt obligations; so unless the entity goes under, bonds are guaranteed to return the investor's principal plus interest, which is typically paid twice a year. Of course, the price of bonds as they're sold on the secondary market fluctuates, just like the price of stocks do. But with bonds, you're all but guaranteed at least regular interest and the return of your principal at the term's end.

Of course, the higher rate of predictability bonds offer doesn't come free. The trade-off is a lower rate of return. So while bonds were much more predictable than stocks between 1928 and 2013, they also generated lower returns. The average return on the 3-month T-bill was 3.6%, and the average return on the 10-year Treasury bond was 5.2%, while the average return of the S&P 500 was 11.5% (Source: New York University Stern School of Business, 2014).

Infrequent and Shallow Losses

On a year-to-year basis, the relatively higher predictability of bonds means that losses are more rare and more shallow. Over that period, the 3-month Treasury bill never generated a negative return — though



during a number of years, its return was below inflation, meaning that investors were actually losing money in real terms. The 10-year Treasury bond yield was negative in 16 of the years between 1928 and 2013. Its deepest loss was -11.1% in 2009. The stock market, in contrast, had 24 losing years between 1928 and 2013, with its deepest loss -43.8% in 1931; the second-deepest loss was -36.6% in 2008.

Diversification

Because of income predictability and infrequent/shallow losses, bonds are effective at diversifying a stock-heavy portfolio. Because bonds are seen as safe investments when the stock market is declining, bond market and stock market returns tend to be countercyclical. For example, in 13 of the 16 years that the 10-year Treasury bond generated negative returns, stock market returns were positive. In 21 of the 24 years stock market returns were negative, Treasury bond returns were positive.

So, is bond investing in 2014 hot or not? It depends. If you're looking for fixed-income stability — hot. If you're looking for growth — not. Then again, it all depends on what the economy does. If the economy continues to strengthen, bond yields will likely remain low. But if the economy weakens, bond yields could rise again. The bottom line: It's all about diversification. Please call if you'd like to discuss this in more detail. OOO

Financial Thoughts

There were approximately 53,000 more millionaire households in the United States in 2013 than in 2012. Total estimated millionaire households in the country equal 6.15 million (Source: *InsuranceNewsNet Magazine*, March 2014).

GenXers, individuals born between 1962 and 1981, reported that their retirement savings dropped 15% over the last two years, from median retirement savings of $70,400 in 2012 to $59,800 today. During the same time period, the percentage of GenXers lacking confidence in having sufficient savings to live comfortably in retirement doubled from 20% in 2012 to 42% today (Source: *InsuranceNews-Net Magazine*, March 2014.)

In 2013, more than 13 million U.S. adults fell victim to identity fraud. Approximately one in three consumers who received a data breach notification letter became a victim of identity fraud. Research shows that the average identity theft case costs the victim $631 and takes an average of 500 hours to repair the damage (Source: Javelin Strategy & Research, 2014).

Of the 75.3 million hourly rate workers in the U.S., 4.7% earn the federal minimum wage or less (Source: *Time*, March 10, 2014). OOO

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News and Announcements

Hello again, everyone! It's hard to believe we are into the 4th quarter of 2014, and another baseball season has come and gone. Time flies when we are having fun.

There are so many things in this newsletter that I'd like to talk about, I don't know where to begin! Our lead article, "Securing Your Financial Life" is particularly poignant for me. As my sister, Tracy, can and will tell you, life can change on a dime and when least expected. So, we need to be prepared (last quarter newsletter) and organized. For those of you who know my beautiful wife, Diane, you know she is the most organized person in the Free World. Her husband… not so much! However, this allows me to devote 100% of my free time to the beloved clients of Weitzel Financial Services, Inc. Hopefully, the SEC, as well as FINRA, the FBI, the Dubuque Police, my mother, and Pope Francis know I'm just kidding about 100%. I do spend time with my grandkids and my bicycle. But seriously folks, please review this lead article and contact your Weitzel Financial Services, Inc. representative for reviews and conversations.

On another note, it seems like all the buzz for the last year has been, "When do interest rates go up, and then what happens?" Opinions on this topic range from "nothing much" to "financial Armageddon." I think our article on page 3 about bond investing is an interesting and straightforward explanation as to why I consider bonds an essential component of a well-balanced portfolio.

By the time you receive this newsletter, we will be approaching Election Day, November 3, 2014. Please remember to exercise your privilege to vote. Regardless of your party affiliation or political opinions, we all can make a huge difference by voting. I like this quote from noted author Larry Sebato, "Every election is determined by the people who show up!"

Finally, Sox, Cubs…Cubs, Sox; I think both teams' futures are getting brighter. Maybe not next year, but soon, I'll let you know how soon next Spring!

Once again, thank you for your trust and confidence; we really appreciate it.

Jim