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Investing Before and During Retirement

There are two phases in the life cycle of a retirement portfolio: the time when you're contributing to it and the time when you're using it to cover your living expenses. During each phase, the basic challenge is deciding how to invest your nest egg; and for that, there are three common approaches:

✔ **Going with your comfort level.** Most people have some idea as to what investments appeal to them, either because of the rate of return they associate with them or how much safety they seem to offer. Whichever it is, people tend to pile their retirement funds in one place — which can cause problems if there is a significant decrease in that investment.

✔ **Using a one-size-fits-all formula.** There are at least several of these formulas floating around. On the theory that the closer you get to retiring the more conservative you should become, one says you should subtract your age from 100, treat the result as a percentage, and put that portion of your portfolio in stocks. Another suggests you subtract your age from 120. The appeal of this approach is that it's simple and unambiguous. The downside is that the results don't take into account the details of your circumstances or the cyclical nature of market returns.

✔ **Using a financial plan.** A plan includes all the details the other two methods leave out. It's by far your best bet for achieving your retirement goals since it takes your circumstances and the state of the economy into account.

Before You Retire

The key factor is to determine what rate of growth you need to achieve in your portfolio to retire with a nest egg capable of supporting you for the rest of your life once you no longer earn a paycheck. It's

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How Much Should You Invest in Stocks?

One of the most often asked questions is how much of a person's portfolio should be made up of stocks. That will vary depending upon a number of different factors, including your age, current net worth, and penchant for taking risks. Still, there are a few basic rules of thumb that are worth adhering to.

If you're saving for retirement, most financial advisors will recommend that the younger you are, the more of your portfolio should be allocated to stocks. When we're young, taking risks tends to come along with less-catastrophic consequences than when we're nearing retirement age.

Of course, age is just one factor that influences portfolio allocations, and there are more aspects that need to be taken into consideration to make the right decisions. The best way to ensure your portfolio is properly divided is to work with a financial advisor who is fully aware of your situation and can make educated suggestions about how to move forward with your investments. After all, a formula can only get you so far, and personal recommendations will always be more valuable than guesswork. OOO

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Investing

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a balancing act between how much you can afford to put aside every year, how much growth will maximize your nest egg, and how much risk you feel comfortable taking.

By analyzing these factors, a good financial plan produces a recommended asset allocation strategy that specifies how much of your portfolio should be invested in stocks, bonds, cash, commodities, and real estate. The mix in which you invest aims at a target rate of return and risk level that both meets your goals and makes you comfortable with the year-to-year results.

In general, the younger you are, the more risk you can afford to take since you will have many market and economic cycles to smooth out your returns. It's not unheard of for someone in his/her 30s or 40s to invest up to 70% or 80% of his/her assets in stocks. Conversely, younger people who are risk-averse may be able to take less risk and put more of their assets in CDs and bonds, as long as they have more modest retirement goals.

It's generally true that the closer you are to retiring, the more conservative your portfolio should be. But this doesn't suggest the precise proportions to place into each asset class, nor does it take into account the opportunities or challenges that current market conditions present. Those answers will come only when you get into the details of your current situation and future goals.

After You Retire

Before you retire, your asset allocation strategy is driven largely by the goal of creating the largest possible retirement portfolio within the limits of your tolerance for risk. After you retire, the goal shifts to keeping your retirement portfolio large enough to continue generating the supplemental income you'll need for the rest of your life.

While this shift means your strategy aims for less growth and risk than in the accumulation stage, it's usually a mistake to revert to the most conservative strategy possible. That's because your portfolio gets eroded over time by:

- Inflation, which means the real value of your portfolio (as well as the buying power of the income it generates) gets smaller every year.
- Taxes on income and capital gains in taxable accounts and withdrawals from nonRoth IRAs.
- Withdrawals you make to support your lifestyle.

Because of this constant shrinkage, some portion of your portfolio needs to be invested in stocks, which is a riskier asset class but the one that typically stays ahead of inflation, taxes, and reasonable rates of withdrawals.

Please call if you'd like to discuss your situation. OOO

6 Steps to Get Finances under Control

You probably know it's time for you to get serious about managing your finances, but when it comes to getting started — well, that's the hard part. But if you follow a few relatively simple steps, you can put yourself on the path to pursuing your financial goals.

Get Organized — Dedicate an afternoon to going through your paperwork and online accounts. Designate a central space for important financial papers and file them in an organized way. Once you know where everything is, dealing with mundane financial tasks is much less stressful.

Find Out How Much You Have — While you don't need to track what you have down to the penny, you should add up everything, including cash in your bank accounts, money in investments, and other things of value. Then total up all the money you owe on your mortgage, credit cards, student loans, and other debts. Subtract what you owe from what you have and you'll know where you stand financially. Tracking that number over time can help motivate you.

Track How Much You Spend — Keeping tabs on how much you spend will show you where your hard-earned money goes and may help you find ways to put your cash to better use.

Pay Down Any Debt — If you have debt, you need a plan for getting out of it. Look for ways to cut spending or boost your income so you can make extra payments on your debt. At the same time, look at the financial behaviors that led you to rack up debt in the first place.

Start Saving for a Rainy Day — If you don't have a savings cushion of three to six months of living expenses, now's the time to start accumulating those funds. You'll also want to save for longer-term or more specific financial needs, like retirement and/or a child's college education.

Set Goals for the Future — Saving for the future and sticking to your financial plan will be easier if you have clear goals in mind. After completing the above steps, you should have a pretty good idea of some of the goals you might have, like paying down debt, building up an emergency fund, or getting on track for retirement. Having those goals in mind can help you stay motivated and organized financially.

Please call if you'd like to discuss this in more detail. OOO

What Is Your Stock Philosophy?

Before you start investing in stocks, make sure you know what your investment philosophy is. An investment philosophy sounds like it might be a complicated thing to develop; but in reality, it is simply a consistent way of thinking about and approaching the markets.

We're all different, so there are as many different investment philosophies as there are investors in the market. But most philosophies fall into a handful of broad categories:

Active Investing — As the name implies, active investing is a highly involved approach to investing. Active investors may trade frequently and are constantly on the lookout for opportunities. People who embrace this investment philosophy may be market timers. In other words, they believe that they can get better returns by watching market trends and buying and selling at the optimum time.

Passive Investing — Passive investing is the opposite of active investing. Rather than frequent buying and selling, passive investors choose investments with the idea that they'll hold them for the long term. This is often referred to as a buy-and-hold strategy. Passive investors need to be willing to do a lot of initial research before choosing stocks and then have the patience and fortitude to hold investments for the long term.

Value Investing — Value investors are focused on finding stocks they believe have been undervalued by the market and thus trade for less than they are really worth — hence, they are good values. Warren Buffett is a proponent of value investing. Value investors need to be able to do a lot of research and really understand how businesses and companies work so they can make an informed decision about whether a stock is priced appropriately.

Growth Investing — Just like passive investing is the flip slide of active investing, growth investing is the inverse of value investing. Investors who are focused on growth look for stocks they believe have an above-average potential for earnings.

Contrarian Investing — As the name suggests, contrarian investors like to go against the grain. If everyone is investing in tech stocks, they'll do the opposite. If people are fleeing emerging markets, they'll look to those regions as potential sources of growth. In some ways, contrarian investors are similar to value investors, in that they believe that the market sometimes misprices equities. Contrarian investors don't just buy unpopular stocks to be different, though. Their choices are based on research and their beliefs about where the market is headed next.

Socially Responsible Investing — Socially responsible investors choose stocks based not just on how they think they'll perform, but also on whether the company itself is doing good in the world. That means different things to different people. Some socially responsible investors focus on environmental issues, while others may avoid companies involved in certain industries, like tobacco and firearms. Socially responsible investors don't ignore financial matters, but those aren't the only factors they consider before investing.

Efficient Markets Philosophy — People who embrace an efficient markets philosophy believe that the market is a well-oiled and highly functioning machine. They think that investors who seek to profit from mispricings are doomed to fail because the market incorporates all available information almost instantly. Because they believe markets will go up over the long run, they think having a diversified portfolio of investments should yield positive returns over time.

Conservative Investing — Conservative investors are more cautious than most. In their portfolios, they usually have a smaller portion of stocks and a greater portion of less-risky investments like bonds and cash. Conservative investors typically won't see dramatic swings in their portfolio's value, but the trade-off for that is somewhat lower returns.

Aggressive Investing — Aggressive investors seek to maximize returns by taking on a greater degree of risk in their portfolios, usually by having a greater allocation to stocks. Aggressive investors must be comfortable with the possibility that the stock portion of their portfolio may fluctuate wildly.

The Right Choice for You — Perhaps one of these philosophies describes you perfectly. Or perhaps you see yourself in several philosophies. Sometimes, people combine different approaches to develop a unique approach that works for them. For example, you might be an active investor who favors socially responsible stocks. Or you might take a passive value approach.

The key point is that you should understand what you believe about markets and how they work before you ever buy a single share of stock. Please call if you'd like to discuss stock investing in more detail. OOO

Financial Thoughts

While 82% of men participate in their employer's 401(k) plan, just 76% of women participate (Source: *AAII Journal*, April 2016).

Among workers without a retirement plan, 83% indicate that the total value of their household savings and investments, including their home, is less than $10,000. In contrast, 35% of worker with a retirement plan say the value of these assets is $100,000 or more (Source *2016 Retirement Confidence Survey*).

Approximately 48% of workers report that they have tried to calculate how much money they will need for retirement. Almost 39% of workers simply guess at how much will be needed for retirement, rather than doing a systematic retirement-needs calculation (Source: *2016 Retirement Confidence Survey*).

The percentage of workers who expect to retire after age 65 has increased from 11% in 1997 to 37% in 2016. However, only 15% of retirees said they actually retired after age 65. Many retirees report that they left the workforce for reasons beyond their control, including health problems or changes at their companies (Source: *2016 Retirement Confidence Survey*). OOO

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News and Announcements

Hello again good friends. I am so excited to announce that Weitzel Financial Services has crossed a milestone in our history. I've asked my son, Brad, to bring you up to speed as this quarter's "guest author." I'm so proud of our entire staff here and promise that our commitment to serving you will never change. With that in mind, I will hand the pen, or cursor, over to Brad.

Hello all! I can assure you that Tim will be back to his regular place here next quarter. However, for this quarter's newsletter, I want to shed a little light on and share my excitement about the recent developments at Weitzel Financial Services.

Throughout the past 25+ years at WFS, our sole priority has been and will always be finding the best and most pre-eminent ways to help you as our clients. In continually striving toward this goal, we are thrilled to announce the launch of the new Weitzel Financial Services wealth management platform. With the support of a global custodian leader, access to world class asset managers and cutting-edge technology partners, we are strongly positioned to carry out the exceptional service and care you have come to expect from Weitzel Financial Services.

These new services will allow us to continue to deliver personalized, unbiased and diversified investment advice with solely your best interests in mind. We will have access to in-depth risk analysis software, comprehensive financial planning tools, and a multitude of investment options, including mutual funds and ETFs, as well as individual stocks and bonds...all helping to align your true financial goals with the proper investment channels. Amidst volatile economic and political conditions, impending new government regulations, and constantly evolving technologies, WFS is prepared to adapt and lead you into this ever-changing future.

Tim, I, and all of the representatives and staff at Weitzel Financial Services are eager to share our thoughts on how these new additions may be able to enhance your existing portfolios. In the meantime, I ask that you reach out to your representative, ask questions, and give feedback, and together we will work to ensure a successful and collaborative future.

Thank you for your time this quarter and for the trust and confidence you have placed in all of us. You are what drives us to improve each and every day; and for that, we are eternally grateful.