SARD
WEALTH MANAGEMENT GROUP, LLC

CLIENT NEWSLETTER **BY: JONATHAN SARD, CFP®**
4th Quarter - 2015

IMPORTANT INFORMATION

We want to thank everyone again who participated in our Annual Client Survey. We received a lot of great feedback and we really appreciate your input!

The IRS has not yet released the 2016 retirement plan contribution limits. We plan to include that information in our next newsletter.

Lastly, at the end of our newsletter is our Privacy Policy, which we are required to distribute each year.

Review of Third Quarter

This first article in this newsletter is a bit more technical than usual. Given the recent volatility, we thought some of you might enjoy reading more about some of the specific economic data. (If economic jargon is not your thing, skip down to the "Financial Tip of the Month"!)

The third quarter of 2015 is now history – and what a trying quarter it was. In looking back at quarter 3, we see not only a rough stretch for stocks and commodities, but also a period in which the financial narrative for the year changed. At the start of July, investors focused on whether or not the Federal Reserve would raise interest rates in September. By the end of the quarter, the evident economic slowdown in China had become the year's defining story. Key U.S. indicators waned as the quarter progressed, though the housing sector maintained its impressive sales pace. The stock market pulled back – the S&P 500 lost 6.94% in the quarter, which left it negative year-to-date.[1]

As the quarter unfolded, the deceleration in overseas manufacturing began to affect America. For evidence, one needed only to look to hiring totals, hard goods orders, and the ISM (Institute for Supply Management) Purchasing Manager Index tracking the factory sector.

Even with its anecdotal basis, ISM's manufacturing index is a hugely important indicator – and it was troubling to see it decline from a July reading of 52.7 to a September mark of 50.2, near the contraction level. (ISM's non-manufacturing PMI went from 60.3 to 56.9 in the same span.) By August, headline durable goods orders were down 24.1% year-over year.[2,3,4]

In September, the economy added a disappointing 142,000 new jobs – and the Labor Department revised July and August hiring downward to respective totals of 223,000 and 136,000. Annualized wage growth – which should be between 3-4% – remained low at 2.2%. The good news? In the ninth month of the year, headline unemployment was down to 5.1% while the U-6 "underemployment" rate dipped to 10.0%.[5]

Inflation – at least as measured by the Consumer Price Index – remained a minor economic factor. By August, the CPI (Consumer Price Index) was up just 0.2% in the past 12 months, with the core CPI up just 1.8%. The headline CPI retreated 0.1% in August, its first pullback since January. As for the Producer Price Index, it was flat in August after a 0.2% rise in July; by August, annualized wholesale inflation was at -0.8%, negative for the seventh month in a row due to reduced energy costs.[6,7]

Consumer confidence and personal spending held up reasonably well as economic warning signals came in from abroad. The Conference Board's consumer confidence index reached a September mark of 103.0, rising from 101.5 in August. While the University of Michigan's household sentiment index declined during each month of the third quarter, its final September reading of 87.2 represented a year-over-year advance of 2.6 points. Consumer spending was up 0.4% in both July and August; consumer incomes rose 0.5% in July and 0.3% in August. Retail purchases were up 0.7% in July and another 0.2% for August.[8,9]

As the quarter went on, the chances of the Federal Reserve raising interest rates seemed less likely. Indeed, the Fed made no move in September – but a dot-plot forecast it published projected the federal funds rate at 0.40% by the end of 2015. The poor September jobs report could alter that projection, as could the ongoing "global economic and financial developments" that the central bank referenced as cause to leave rates alone.[10]

So, what should you do now given these recent events? We always discuss how important it is to plan. Be sure you are sitting down with us on a regular basis to discuss your entire financial situation. Each quarter we want to remind you to alert us to changes in your financial situation or investment objectives to ensure that we are aware of any situation that might require changes in the management of your accounts. Please remember to contact us to discuss how these changes impact your investment accounts!

Citations.

1 - online.wsj.com/mdc/public/page/2_3022-quarterly_gblstkidx.html [9/30/15]
2 - instituteforsupplymanagement.org/ISMReport/MfgROB.cfm [10/1/15]
3 - instituteforsupplymanagement.org/ISMReport/NonMfgROB.cfm [10/5/15]
4 - ycharts.com/indicators/durable_goods_orders [10/5/15]
5 - forbes.com/sites/samanthasharf/2015/10/02/jobs-report-u-s-added-142000-jobs-in-september-unemployment-rate-steady-at-5-1/ [10/2/15]
6 - marketwatch.com/story/inflation-falls-for-first-time-since-january-cpi-data-show-2015-09-16 [9/16/15]
7 - bls.gov/news.release/ppi.nr0.htm [9/11/15]
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9 - cnbc.com/2015/09/25/us-consumer-sentiment-final-reading-in-sept-rises-to-872-vs-867-estimate.html [9/25/15]
10 - marketwatch.com/story/federal-reserve-keeps-interest-rates-unchanged-but-forecasts-hike-this-year-2015-09-17 [9/17/15]

Financial Tip of the Month

"File and suspend" social security strategy

When considering ways to maximize your social security benefits, one strategy often suggested by financial planners and touted in the financial media is called "file and suspend." Part of the *Senior Citizens Freedom to Work Act*, the "file and suspend" provision was added to the social security rules in 2000. For many folks, this strategy may provide a substantial windfall and increased lifetime income. Though the rules are complicated, the basic steps may be illustrated by the following example.

Joe, who was born in 1953, is married to Sally. Throughout their married life, Sally worked part-time and Joe worked full-time, so Joe has a much higher lifetime income than Sally. He reaches full retirement age (for people born between 1943 and 1954, full retirement age is 66) and files for social security benefits. Joe's filing allows Sally to file for benefits based on Joe's work history. Under current rules, her benefits can total up to one-half of Joe's benefit. So if Joe is entitled to a benefit of $2,000 per month, Sally can start collecting benefits of $1,000 per month.

Joe then "suspends" his benefit payments, postponing the collection of benefits until he reaches age 70. This strategy allows Joe to accrue retirement credits, which boost his future benefits by an average of 8% for every year that benefits are delayed. At age 70, Joe notifies the Social Security Administration that he wants to start receiving payments. Because of accrued retirement credits, Joe's monthly benefit has grown from $2,000 to $2,640 and Sally continues to receive her benefits of $1,000 per month. (This scenario ignores cost of living increases.)

Sounds like a great deal. But like all financial strategies, this one carries risk and is based on certain assumptions. For example, it assumes that Joe is in relatively good health and will live a long life, long enough to reap the rewards of postponing his social security payments. It also assumes that current federal rules will remain in effect and that Joe and Sally have adequate resources to cover four years of expenses (age 66 to age 70) without relying on Joe's social security income.

"File and suspend" is a strategy worth considering, but it may not be the best option for your family. If you'd like help analyzing retirement planning scenarios, give us a call. Remember that we do full Social Security planning for our clients and have made recommendations that have provided our clients thousands of dollars of additional benefits.

Please keep in mind that this tip is designed to be of help for you, but is not to be relied upon as advice. It is merely a reminder that there are many choices you have available to you, and that planning may be the only way to find the right answers for your situation. As with any financial issues, make sure you get the right information before making a decision. If you have any questions, we'll be glad to help you!

Client Quiz

Quiz Question and Answer

Question: The taxable wage base for Social Security and Medicare is $118,500 for 2015. True or False

We wanted to thank those of you who have participated in our Client Introduction program. As you know, marketing for new clients takes a great deal of money, time, and energy and we would much rather spend our resources improving your financial health. We, like most businesses are looking to grow; however, for the benefit of our existing clients we are only able to take on a limited number of new clients each year. Over the years, we have learned that encouraging you to introduce us to people you know works well for all of us…we help you, and you help us. If you aren't familiar with our friends helping friends program, please call our office or be sure to ask us at your next meeting. The few minutes it takes to learn about how it works will be well worth your time and energy!

Answer: False. The taxable wage base only applies to Social Security taxes and not Medicare. The wage base for Social Security tax is in fact $118,500, but there is no cap on the Medicare tax.

If you would like some of your friends, coworkers, relatives, business acquaintances, etc. to receive a FREE subscription to this newsletter, please call our office and we'll add them to the mailing list. We'll also send them a note with their first issue telling them that you had suggested they receive the newsletter, and to contact us if they would like to stop at any time. If you enjoy this newsletter, why not share it for FREE with people you know, with no hassle for you?

Sard Wealth Management Group, LLC
Privacy Policy

Your privacy is important to Sard Wealth Management Group, LLC. We understand that the information you provide to us is private. This policy outlines what information we collect, how we use it and how we protect it. We will affirm our Privacy Policy annually in writing with all current Clients.

We collect information about you to provide services and products to help you meet your financial goals and objectives and to allow us to provide high levels of customer service to you. We also gather information in order to help us fulfill our legal and regulatory requirements. Information collected may vary depending on the products and services requested and the scope of your relationship with us.

Information Collected about You: We collect nonpublic personal information about you through account and insurance applications, our financial planning questionnaire, and through our day-to-day meetings, interactions, and the services we provide. The following types of information are maintained:

- Personal Information: name, address, phone number, tax identification number, date of birth, employment, children, wedding anniversary, and hobbies/interests
- Financial Information: income, investment and bank accounts, insurance policies, investment experience, and net worth
- Health Information: personal and family medical history, diagnoses and prescriptions
- Service-oriented information: account balances, payment history, account numbers, and account activity

Disclosure of Personal Information: We train our staff to take caution in handling personal information and keeping it secure. It is our policy <u>not</u> to share any private information with any businesses for marketing purposes. We do not disclose any private information with any outside firm with the exception of those that require specific information in order for a specific account to be established or to execute a specific transaction. The following information is shared by us:

- Personal and financial information: shared with a brokerage firm or investment company to setup and manage investment accounts for you and with insurance companies to initiate an insurance policy on your behalf.
- Health-related information: shared with insurance companies to initiate life, health, disability, or long-term care insurance on your behalf
- All types of information: shared with your accountant or lawyer to allow us to collaborate for your benefit. We may be required by law or regulation to disclose information to third parties such as in response to a subpoena, to prevent fraud, to comply with rules and regulations to which we are subject, in response to inquiries from industry regulators, and in order to comply with our broker/dealer's policies with whom our associated persons may be registered.

From time to time, we may provide via mail, email, or in person, investment reports of all household accounts to members of the same household. Household accounts include those held by spouses (or domestic partners) of the same family, and minor children for which one parent is the custodian and/or owner of the child's account. We may answer general account questions relating to accounts of a member of the household for either spouse.

If you close your account or discontinue your relationship with us, we will continue to treat your information with the same attention to privacy as for active Clients. Former Clients may request a current copy of our privacy policy at any time by calling our office at (404) 843-4483.

If you do NOT wish to have household account reports shared or object to our disclosing your private information as outlined in this policy, please provide us with a written statement clarifying your wishes.