SARD
WEALTH MANAGEMENT GROUP, LLC

CLIENT NEWSLETTER **BY: JONATHAN SARD, CFP®**
2nd QUARTER - 2017

IMPORTANT INFORMATION

Well, the repeal and replacement of the Affordable Care Act has been shelved for the time being. Some are speculating that this could have an impact on future policy negotiations for issues such as tax reform and infrastructure spending. This remains to be seen and we will continue to pay attention to all of these developments.

On another note, many people have unclaimed property, but are unaware of it. To see if you have unclaimed property, you can check www.missingmoney.com a site endorsed by the National Association of Unclaimed Property Administrators, as it lets you search in many states at once, free of charge. You can also check www.unclaimed.org as it has links to unclaimed-fund programs for each state.

Active & Passive Investment Management

Investment management can be active or passive. Sometimes, that simple, fundamental choice can make a difference in portfolio performance.

During a particular market climate, one of these two methods may be widely praised, while the other is ridiculed and dismissed. In truth, both approaches have merit, and all investors should understand their principles.

How does passive asset management work? A passive asset management strategy employs investment vehicles mirroring market benchmarks. In their composition, these funds match an index – such as the S&P 500 or the Russell 2000 – component for component.

As a result, the return from a passively managed fund precisely matches the return of the index it replicates (minus expense ratios). The glass-half-full aspect of this is that the investment will never underperform that benchmark. The glass-half-empty aspect is that it will never outperform that benchmark.

When you hold a passively managed investment, you always know what you own. In a slumping or sideways market, however, what you happen to own may not be what you would like to own.

Buy-and-hold investing goes hand-in-hand with passive investment management. A lengthy bull market makes a buy-and-hold investor (and a passive asset management approach) look good. With patience, an investor (or asset manager) rides the bull and enjoys the gains.

But, just as there is a potential downside to buy-and-hold investing (you can hold an asset too long), there is also a potential downside to passive investment management (you can be so passive that you fail to react to potential opportunities and changing market climates). That brings us to the respective alternatives to these approaches – market timing and active asset management (which is sometimes called dynamic asset allocation).

Please note that just as buy-and-hold investing does not equal passive asset management, market timing does not equal active asset management. Buy-and-hold investing and market timing are behaviors; passive asset management and active asset management are disciplines. (A portfolio left alone for 10 or 15 years is not necessarily one being passively managed.)

Active investment management attempts to beat the benchmarks. It seeks to take advantage of economic and/or technical trends affecting certain sectors of the market. By overweighting a portfolio in sectors that are performing well and underweighting it in sectors that are performing poorly, the portfolio can theoretically benefit from greater exposure to the "hot" sectors and achieve a better overall return.

Active investment management does involve market timing. You have probably read articles discouraging market timing, but the warnings within those articles are almost always aimed at individual investors – stock pickers, day traders. Investment professionals practicing dynamic asset allocation are not merely picking stocks and making impulsive trades. They rely on highly sophisticated analytics to adjust investment allocations in a portfolio, responding to price movements and seeking to determine macroeconomic and sector-specific trends.

The dilemma with active investment management is that a manager (and portfolio) may have as many subpar years as excellent ones. In 2013, more than 80% of active investment managers outperformed passive investments indexing the S&P 500 (which rose 29.60% that year). In 2011, less than 15% did (the S&P was flat for the year).[1,2]

The two approaches are not mutually exclusive. In fact, many investment professionals help their clients use passive and active strategies at once. Some types of investments may be better suited to active management than passive management or vice versa. Similarly, when a bull market shifts into a bear market (or vice versa), one approach may suddenly prove more useful than the other, while both approaches are kept in mind for the long run.

So, what should you do now? We always preach 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 - forbes.com/sites/investor/2015/03/30/active-versus-passive-management-which-is-better/ [3/30/15]
2 - macrotrends.net/2526/sp-500-historical-annual-returns [2/2/17]

Financial Tip of the Month

Facing the cost of college on a budget

Consider the following statistics: The cost of getting a higher education has risen substantially faster than the general inflation rate over the past decade. For the 2016-2017 school year, tuition and fees average over $7,100 at four-year, in-state public institutions; at private colleges average costs are substantially higher — over

$32,400. Add thousands of dollars for room and board, supplies, and transportation, and it's clear that attending college has become an increasingly expensive proposition.

How do students cover these costs? Some are fortunate enough to receive help from relatives; others apply for financial aid. Nearly 70% take out student loans to cover the cost of higher education. In fact, college students graduating in June 2016, finished their studies with average loan balances topping $37,000.

If you know a student faced with the daunting task of paying for college, here are three tips for getting a college degree without taking on a mountain of debt.

- **Postpone school to define goals.** Many young people start college without a defined goal. They jump from class to class, major to major, all the while spending money on credits that may not count in the long run. Holding off on school, getting a job in a field that interests them, and saving money for college may provide a better return for their education dollars. Many former students have learned that a few years in the workplace can provide a taste of the "real world" and motivation to pursue an education more vigorously.

- **Consider community college.** Attending a local junior college for the first two years may substantially reduce overall college costs. In addition, smaller class sizes and a shorter commute may be a benefit. Just be sure to confirm that local college credits will transfer to the four-year institution.

- **Live at home while attending school.** Foregoing on-campus accommodations can slash thousands of dollars from college costs. Though not a decision to be taken lightly, residing with parents or other relatives while attending school may minimize debt. Not having ongoing loan payments should provide better financial footing when starting a career.

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

Question: According to Social Security, what is the Normal Retirement Age if you were born in 1960 or later?

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: 67! If you were born in 1960 or later, your Normal Retirement Age is 67; however, you could elect to receive reduced benefits at age 62.

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