



Wealth Planning Strategies

Quarterly Newsletter

September 2015

What rate of Return are you talking about? *Nominal or Real*, and why

Let's say you have a globally diversified portfolio of stocks, bonds and alternatives, and you are looking at your investment return for the past 5 years. You could expect to have an average annual return of between 5.5% and 7.5% depending on the mix of asset classes. That might look a bit low to you, right? Actually, we don't think that it is and here's why. The return you are looking at is called the **Nominal** return. This is the rate of return before inflation and taxes. And this rate doesn't tell you the whole story. What is most important is truly the **Real** rate of return which is the rate of return above the inflation rate. This return helps you know if you are keeping up with purchasing power over time. For example, right now if you bought a 1 year CD you would probably earn about 1% for the year. Nasty isn't it? Well, this might make you feel even worse, because for the past 12 months, inflation has been at about 1.32% and although this is a really LOW inflation rate compared to a historical average of about 3.5%, it means that you are actually *losing* money. If you are earning 1% and the cost of goods is going up by 1.32%, you are actually losing 32% on your purchasing power of those funds (1% - 1.32% equals minus .32%). We are not suggesting that putting money into short term fixed income investments is a bad thing, because if you are going to need to use that money to buy something in the next year, this is the *only* investment we would recommend. However, for longer term investment time horizons, rarely do CD returns beat inflation.

During these past 5 years, inflation has been about 1.77% so the **Real** rate of return for the nominal returns quoted above ranged from 3.7% to 5.7%. If you are a client of The Lubitz Financial Group, when we create your Investment Policy Statement, the target rate of return we aim for is the **Real** rate of return. Although our quarterly performance reports currently show the **Nominal** rate of return, we are adding the CPI (inflation) rates so that you can easily see what your **Real** rate of return has been by subtracting the CPI from your return. We hope that this will help you see the really important return more easily.

by Linda Lubitz Boone, CFP®

Downsizing? Ditch These 12 Items

1. The Big House - Consider making this decision as soon as the kids are gone rather than when you're ready to retire. Even if your home is fully paid, there are still significant costs in owning more space than you really need, including taxes, utilities, insurance and repairs. Plus, it will force you to downsize other belongings, too!

2. Debt - Over the course of a lifetime, the average American today will pay more than \$600,000 in interest on all the money he or she borrows, according to Credit-Loan.com. Pay off debt as quickly as possible. Live by this old school rule: if you can't afford to pay for it now, you simply can't afford it.

3. Clothes - If your wardrobe has outgrown your closet and dresser, start by purging enough pieces so that everything will fit. Get ride of unwanted clothing at yard sales or by donating items to charity.



4. Anything in Off-Site Storage -

According to the Self Storage Association, there are about 50,000 self-storage facilities in the U.S. That's more than five times the number of Starbucks!

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My Money Life - Do you want to learn more about personal finance or investments? Check out the **Education Center** in your MyMoneyLife website. Located at the top of your home page, this resource contains articles, videos and guides for many topics. Call **Clint McCalla** to learn more. 305 670 4440

Are you on **LinkedIn**? If so, check out The Lubitz Financial Group page for more articles!



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AROUND THE OFFICE

In the News ... Linda was quoted in U.S. News and World Report on the topic of Saving Strategies for people between age 55 and retirement. Phil authored *Journal of Financial Planning* August column, "ABLE Act Considerations for Estate Planning." You can view the article on our website, "We're in the News."

Giving Back to the Community ... Jorge sits on the 2015 FPA (Financial Planning Association) National Diversity Committee that promotes diversity within the profession and evaluates candidates for an annual diversity scholarship. Phil was elected Treasurer of the Estate Planning Council of Greater Miami where he is in his fourth year on the Board of Directors. He was also appointed Finance Committee member of the Jewish Federation of Broward County. We were saddened to learn that Fox's restaurant, an iconic bar and eatery was closing. Since most of the LFG team had never been to the dark environment nor tasted the signature "Thumb Bits," Linda took the team for a lunch before its closing the end of August.

Education ... Phil, Jorge and Nancy attended the Financial Planning Association Miami Chapter Meeting in July. Linda gave a great presentation on "Where to Retire? Ah, That's the Question," (you can see this on our website) and we also enjoyed "Shark Tank" contestant's insight on Entrepreneurship. Linda, Jorge and Phil attended the 10th Annual Financial Planning Association Miami Symposium and were engaged by presentations on retirement income strategies, social security planning and more. Jorge is the current President of FPA/Miami and Phil is Director of Symposium and Programming. Josh took a quick trip to New York to visit the team of PIMCO Investments. The Wealth Management Forum focused on themes and topics ranging from economic and investment outlook to non-traditional fixed income. Linda participated in a Schwab event for their top firms learning about new initiatives and market updates from speakers such as Alan Mulally, former CEO of Ford Motor Company on the topic of developing people.



Maddy heads "back to school" and hopes the year will continue to fly by.

Exotic Travel ... Jorge had 2 weddings in 2 different countries in the same month (Bogota, Colombia and Marbella, Spain.) He and Ana visited Lisbon and took a motorbike day trip to Sintra to visit the town palaces. Nancy attended a friend's magical 60th birthday celebration at Casa Loma in Toronto. Clint and his wife, Sarah, travelled to Ruidoso, New Mexico and Lubbock, Texas in early August to vacation and spend time with their families.

Family & Personal Matters ... Jorge visited Ana's family in Bogota early July and his family in Spain late July while enjoying some vacation time in sunny Spain. Nancy's first granddaughter, Emersyn Elaine was born in August and one week later her middle daughter gave birth to grandson, Vaughn Edes. Maddy took some time off and went to spend the 4th of July with her family and friends in New Jersey. We love a good celebration here at the office and with Jorge celebrating a milestone birthday, we had the opportunity! Ellen attended an enlightening 3-day Buddhist study conference with her husband and son at the SGI-USA Florida Nature & Culture Center with participants from the U.S., Canada and New Zealand! Norm's son, Andrew is marrying his high school sweetheart on Sept. 25th in San Francisco. We celebrated Linda's mother's 95th birthday with a BASH at LaPalma. Linda was also truly "surprised" with a 65th birthday party, in her honor. Nancy and Norm conspired together for a fun evening with family and friends.



Social Security Cost of Living Update

If you are currently participating in the Medicare Program, did you realize that your Medicare Part B premiums have remained at the same level in 2015 as they were in 2014, but absent some political moves in Washington, that will change in 2016.

According to an August paper from the Center for Retirement Research at Boston College, Part B premiums for higher-income Americans are scheduled to rise significantly in 2016. **That's because it appears there will be no cost-of-living adjustment for Social Security recipients in 2016—for only the third time in the past 40 years.**

To begin, why won't there be a COLA (Cost of Living Adjustment) for Social Security recipients next year? Any adjustment in Social Security benefits as of January 1 of each year is based on comparing CPI-W* in the third quarter of the preceding year (2015 in this case) with the CPI in the prior year's (2014 in this case) third quarter. The CPI in 2015's third quarter is, so far, below 2014's third-quarter inflation, and thus no COLA.

So the good news is that the cost of living is not going up, in fact for the last 10 years, it has averaged just over 2%. Remember the days in the late 1970's and early 1980's when it was between 10-15%? The bad news is that if you are collecting Social Security benefits, your benefit amount will most likely remain the same in 2016 as it was in 2015, so plan accordingly.

*(CPI-W, the Consumer Price Index for Urban Wage Earners and Clerical Workers, is used by the Social Security Administration to adjust benefits for both Social Security and Supplemental Security Income (SSI) recipients.)

by Linda Lubitz Boone, CFP®

What is a Power of Attorney and Do I Need One?

Preparing for your own incapacity is unthinkable and often overlooked. How do you make plans to take care of your loved ones—and even yourself—when you are no longer able to do so? Start with a **Power of Attorney**, a legal document designed to give an agent—commonly a spouse, adult child, or trusted family member—the authority to handle the financial decisions in connection with your investment accounts.

The purpose of setting up a power of attorney is to designate an agent while you're still in command of faculties and can make clear decisions. It's important to nominate someone trustworthy, since the agent has broad latitude over your finances. Appointees won't have to jump through too many hoops each time they need to send a check to pay a necessary bill. A Full Power of Attorney gives your agent that authority to withdraw funds from the accounts.

Know that a Charles Schwab Power of Attorney can fulfill this significant purpose. This form is a nondurable Power of Attorney, meaning that it will not remain in effect upon your death or incapacity. All powers of attorney end at death, when your agent can no longer continue to act on your behalf.

Is establishing a Power of Attorney for my Charles Schwab or Fidelity investment account(s) appropriate for my wishes and situation? Foremost, seek the counsel of an estate planning attorney and the advice of The Lubitz Financial Group. Power of Attorney laws differ from state-to-state, so make sure your estate planning attorney is well-acquainted with what your state allows. Rules may also vary by financial institution.

Call **Madeline Jusino** to discuss the process of adding a Power of Attorney to your account. 305 670 4440.

by Philip Herzberg, CFP®

Downsizing? Ditch These 12 Items (continued from page 1)

That's more than five times the number of Starbucks! Vow to eliminate storage fees by getting rid of enough stuff allowing all of your possessions to fit in your own home.

5. Exercise Equipment - If the exercise bike or treadmill in your bedroom has morphed into a permanent clothes rack, donate it to a local thrift store or charity.

6. Kitchen Appliances and Gadgets - Ask yourself: "When was the last time I plugged that in?" If it's been more than six months since you've used the waffle iron or bread maker, it's probably time to find that appliance a new home. While you're in the kitchen, eliminate unused culinary gadgets and non-matching tableware.

7. Car - Besides downsizing your home and eliminating debt, getting rid of one (or all) of your vehicles could result in the greatest savings. According to AAA, it currently costs an average of \$8,698 annually to own and operate a vehicle in the U.S. if you factor in all the costs, including depreciation. If you're a two-car family, getting rid of one set of wheels might make sense once one or both partners are no longer working. You might be able to get by with public transportation or a car-share program, or at least downgrade to less-expensive vehicles. If you're planning to relocate in retirement, there are communities where owning a car may not be necessary.

8. Childhood Memorabilia - If your kids or other family members don't want keepsakes from their own childhood (or yours) now, they're not going to want them when you're gone. Hold on to a few precious, symbolic mementos — those that truly spark memories and joy — and digitize images of the other things.

9. Furniture - Filling (and too often, overfilling) a room with furniture is a common tendency. Doing so makes the room seem smaller and gives you more places to store and display more stuff. Start by eliminating a couple of pieces from a room and see how much more spacious it feels.

10. Books, Magazine, DVDs - Unless a book has sentimental value or you're going to read it again, put it back into circulation via a yard sale or thrift store so that others can enjoy it. Or donate it to your library, where you can always get free access to books, CDs and DVDs. You can store countless e-books (many are available for free) on an e-reader that's smaller than a single print volume, and you can easily digitize your music and movie collection.

11. Files - Consumer Reports advises organizing your important files into four categories: (1) papers that you need to keep for the calendar year or less; (2) files that can be destroyed when you no longer own the items they cover; (3) tax records, which you should save for seven years; and (4) papers to keep indefinitely. You can access copies of many documents (e.g., bills, bank statements, user manuals, etc.) via online accounts. Consider storing digitized documents on a web-based storage service or an external drive.

12. Decorations - While holiday decor has some sentimental value, consider getting rid of the decorations you haven't used in the past five years, particularly bulkier items such as outdoor decorations and holiday tableware you use just once a year.

Excerpts from AARP August Newsletter

We welcome the opportunity to help you, your family and friends achieve peace of mind related to wealth and life transition planning.

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Robert Mondavi's Philosophy of Life

*Have faith in yourself.
Make a commitment to excel.
Be passionate about what you do.
Set goals just beyond what you can do.
Be completely honest and open.
Be generous and giving.
Only make promises you can keep.
Accept people the way they are.
Be tolerant, empathetic and compassionate.
Recognize that no two people understand things the same way.
Listen and speak carefully.
When you find your soul mate, open yourself completely.
Be flexible.
Always be positive.
The greatest leaders don't rule, they inspire.*