Investor Insights and Outlook

Volume 6, Issue 6

Déjà vu, Part II

Earlier this year I wrote to you about an expected return of market volatility. For the past several years, financial markets exhibited unusual calm relative to historical norms. Fluctuations in "The Market" (Dow Jones, S & P 500, NASDAQ, etc.) are normal and healthy.

Well, here we are, again. The week of August 17 saw markets shed most of their 2015 gains. And, on Monday, August 24, the markets seemed to be heading off the cliff with the S & P 500 Index more than 10% below its historical high reached just three months ago.

The Pouting Pundits of Pessimism have been waiting a long time for this. As economist, Brian Wesbury, noted "In the past six and one-half years, every time the market has gone down sharply for a day or two, or a piece of economic data turned negative, the decibels have risen. Technical moves in stocks, or seasonal patterns in data, are turned into a fundamental reason to run for the hills with weapons and gold."

Nothing creates anxiety like fear and confusion; fear that market declines are caused by some fundamental problem. Fear mongers are traders, not prudent investors like you who have diversified portfolios built upon a sound, long-term financial plan.

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Plan Well • Live Well

Intergenerational Wealth Planning: A Win-Win for the Whole Family

Discussing the transfer of wealth from parents to children can be uncomfortable for both parties. Yet by introducing children to the wealth management process from a young age, families may be able to reduce family tensions later in life and help ensure that the planning tradition passes intact to future generations.

Closing the Communication Gap

Opening the dialogue about wealth transfer is a complicated, personal decision that is influenced largely by how wealth holders themselves have been brought up to view money and the responsibilities that come with it. For instance, some individuals may fear that discussing wealth with their children will lead to feelings of expectation and entitlement. Others may simply prefer to control all money issues themselves. Still others with young children may be uncertain about their future wealth and reluctant to discuss it until their children are older and have proven how well -- or poorly -- they handle money.

Embracing the Planning Process

One strategy that may help families overcome planning challenges is to think about wealth planning not as a one-time exercise, but as a process that you live with every day -- and that you integrate into children's lives at a very early age.

For instance, when children are young, you can teach them to divide their allowances into three portions -- one for saving, one for spending, and one for giving. Consider matching their giving and saving money and set an example by handling your own money in a similar fashion.

Once children become teenagers, allow them to make their own decisions about how they spend their money, and as difficult as it may be, allow them to live with the consequences of their decisions. As children make the passage to adulthood, gradually involve them in the family business as well as the family's charitable giving activities.

Creating a Win-Win Solution

Certainly, the more wealth a family has, the more important it becomes to make managing wealth a process, especially if wealth has existed for multiple generations and there are instruments such as family foundations in place. In this way, early involvement helps families prepare heirs for their future role as stewards of the family wealth. It also helps develop the skills and experience needed to manage a family business or wealth plan, while ensuring that such knowledge is shared and passes successfully to the next generation.

Working With Professionals

Working together with your team of planning professionals , your financial advisor, estate and/or tax planner, you will be able to assess your current situation and develop first steps toward implementing a plan of action.

Source/Disclaimer:

This communication is not intended to be tax or legal advice and should not be treated as such. Each individual's situation is different. You should contact your tax and/or legal professional to discuss your personal situation.

Your Credit Report: Can You Afford to Ignore It?

When was the last time you obtained a copy of your credit report? If your answer is "never" you are not alone. A recent survey found that one in four Americans have never checked their credit report. The simple reason? They don't think it is important.[1]

Credit reports ARE important to every consumer. They typically are a major factor in determining if you will be approved for a loan, be able to rent an apartment, or even get hired at a new job. They qualify your creditworthiness and are one of the first places to detect whether you have become the victim of identity fraud.

If all of those reasons are not enough to convince you that monitoring your credit report is a good idea, the no-brainer fact you can't deny is: It's free and has been for more than a decade!

The Fair Credit Reporting Act (FCRA) requires the three major nationwide consumer reporting companies -- Equifax, Experian, and TransUnion -- to each provide you with a free copy of your credit report, at your request, once every 12 months. These three companies sponsor an official website -- annualcreditreport.com-- that allows you to request credit information from all three agencies in one place.

Once you receive your report(s), be sure to review all of the following for accuracy:

- Your name (including any variations or nicknames)
- Your Social Security number
- Date of birth
- Current and previous addresses
- Employment data
- Credit accounts and history
- Public records (e.g., liens, bankruptcies, etc.)

If you find errors in the report, you'll need to contact the credit bureau and provide documentation to correct the error.

Confusion Compounded

Even among those who have checked their credit reports fairly recently, confusion persists about what is included in the report and why it matters to them. For example, a survey of more than 4,300 adults conducted in early 2015 by Credit.com found that:[1]

- 27% of those surveyed were surprised by some of the information included in the report.
- One in five found (21%) incorrect or outdated information.
- One in 10 (10%) found a collection account they didn't know existed.
- 15% were unsure of the relevance of each section of the report.

Further, the study showed that many consumers only saw their credit reports in conjunction with an application for housing or a loan and were left with little or no time to respond to any problems or mistakes that may have surfaced.

Don't be blindsided by errors in your credit report that could cost you a job or disqualify you from a loan application. Credit experts generally encourage individuals to check their credit report at least annually to ensure that the information it contains is accurate and up-to-date.

Source/Disclaimer:

[1]Credit.com, "Are Credit Reports Important? Many Americans Say No," March 3, 2015.

Déjà vu, Part II

The recent volatility spike and the accompanying market "correction" are technical, not fundamental. Yes, China is slowing. So what? Exports to China make up less than 1% of the US Gross Domestic Product (GDP). The facts are that private sector jobs have increased for 65 consecutive months. Housing and construction are improving. Auto sales are near record highs. Fundamentals matter. The US economy is probably at the mid-point of this economic cycle.

The markets anticipate the future, but the future being anticipated is typically just 12 months away. The future that should concern you is not arriving today, tomorrow or even next year. Your investment time horizon is completely different from that of the Wall Street investment community that's driving today's market volatility.

What should you do? Review your financial plan and your investments in the context of your plan. Odds are heavily in your favor and stacked against traders, timers and pessimists.

- James D. Hallett

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