Office Hours: 8 AM to 4 PM
Monday through Friday

Andrew D. Wade, CFP®
President

Nebel Financial Services, LLC
6926-F Little River Tnpk., Annandale, VA 22003
703-658-0080 • Fax: 703-658-0097
awade@sterneagee.com

Financial Solutions for the Life You Are Living and the One You Want to Live

Evenings/Weekends by Appointment Only

financial $UCCESS

SUMMER 2015

Correction 2015!

Finally, we have a meaningful correction in the markets for 2015. It has been nearly four years since we have had a week be this negative. Every time we have a market movement up or down, the financial media outlets have to find a few good reasons for it. The current factors being assessed are the slowdown in China, the bottom falling out of energy prices, and the inaction or possible action by the FED.

First, the slowdown in China may be worse than their government acknowledges. It is no secret that economic numbers coming out of the second largest economy in the world cannot be trusted. Secondly, energy prices have been very depressed, which has benefited the average consumer, large and small businesses, and municipalities. However, today we now have a worldwide oil glut. Just a few years ago, energy was a great job creator; now the sector is shedding jobs at a significant clip. Lastly, the FED has seen enough weakness in the U.S. and the global economies that it appears it will postpone the eventual "lift off" of interest rates.

Whenever we have a correction or bear market, we have to look at what caused it, how long will it last, and more importantly, how will it affect individuals, families, and businesses. The short answer is no one knows how long a correction will last or what percentage it may temporarily drop. If an analyst was correct at calling the top or bottom of a market 10 years ago; there is a good chance this same analyst will be incorrect this time around. Each time is different than the last correction.

One thing I like to look at is the history during times like this.

Continued on page 2

Consider These Factors before Switching Jobs

When considering a job switch, it's tempting to just look at the difference in salary between the two positions. But before deciding whether to change jobs, you should consider many factors, including:

✔ **401(k) plan** — 401(k) plans are becoming increasingly important to help fund retirement, so you should thoroughly review each plan before making a job switch.

✔ **Health insurance** — How much of your health insurance premium do you pay at each employer? How does the coverage compare? What out-of-pocket expenses are you likely to incur?

✔ **Other fringe benefits** — Thoroughly compare the fringe benefit package at each employer, looking at vacation days, sick days, life insurance, disability insurance, dental and optical insurance.

✔ **Commuting costs** — How far is each job from your residence? Will there be additional commuting costs involved? Will you have to spend additional time away from your family commuting?

✔ **Advancement opportunities** — While this is difficult to quantify, what are the advancement possibilities at each job? ❍❍❍

Correction

Continued from page 1

A healthy market correction can be a 10–20% drop in market value. Each time we have had this situation, we have looked back at it as an opportunity. This time is no different. Keep in mind that bond markets have held up pretty well during this most recent down period, and some municipal bond funds are up during stock market corrections.

Yes, I see the global economy pulling back, but just like all of the other corrections, we will recover from this one, too. As history will show, corrections actually recover quicker than you'd think. According to the article, "Here's What Usually Happens to Markets After the S&P 500 Drops Five Percent in a Week,"* the S&P 500 recovers 71% of the time within three months from corrections such as the one we are in.

We are always looking for value opportunities, and we are definitely at a better value than just a few weeks or months ago. As the old saying goes, "Buy low, sell high." So this may be a good time to fund additional dollars into your IRA, 401(k), or 529 plans. If these plans are fully funded, consider adding to or starting an investment outside of your qualified plans.

* Verhage, J. *Bloomberg.com.* August 24, 2015.

Sincerely,

Andrew D. Wade, CFP®
President

Bond Investing Tips

Consider the following tips if bonds are part of your investment portfolio:

✔ **Determine your objectives before investing.** Decide how much of your portfolio you want invested in bonds.

✔ **Diversify your bond holdings among different bond types.** Consider government, corporate, and municipal bonds, as well as different industries, credit ratings, and maturities.

✔ **Understand the risks that affect bonds.** The most significant risk is interest rate risk. When interest rates rise, bond values fall, while values rise when interest rates decline. Other risks include default risk, or the possibility the issuer will redeem the bond before maturity; and inflation risk, or the possibility that inflation will outpace the bond's return.

✔ **Choose bond maturity dates carefully.** When you'll need your principal is a major factor, but the current interest rate environment may also affect your decision. Rather than investing in one maturity, you may want to stagger or ladder the maturity dates in your portfolio.

✔ **Follow interest rate trends.** At a minimum, follow the prime rate, Treasury bill rates, and Treasury bond rates. Understand the significance of the yield curve and track its pattern over time. By monitoring current interest rate levels, you will be able to evaluate the appropriateness of an interest rate for a specific security.

✔ **Compare interest rates for specific bonds before investing.** Interest rates can vary substantially among different bond types and among bonds with different maturities or credit ratings.

✔ **Research a bond before purchase.** Review the credit quality, coupon rate, call provisions, and other significant factors. Determine whether the bond is appropriate for you in terms of risk, return, and maturity date.

✔ **Consider the tax aspects.** By comparing the after-tax rate of return for various types of bonds, you may be able to increase your return. Depending on the bond, the interest income may be fully taxable or exempt from federal and/or state income taxes.

✔ **Review your bond holdings periodically.** Evaluate the credit ratings of all your bonds at least annually to ensure the quality hasn't deteriorated. Also, ensure your holdings are still consistent with your overall investment objectives and asset allocation plan.

✔ **Call for assistance with your bond holdings.** You should use carefully designed strategies to make bond decisions. Please call if you need help. ❍❍❍

If you would like to start receiving Market Updates more frequently, please notify us by sending an email to Andrew Wade at awade@sterneagee.com.

10 Ways to Boost Your Savings

By embracing some simple lifestyle changes or taking full advantage of tax perks and other savings incentives, you can easily boost the amount of cash you save. The result? You'll be more financially secure and better able to reach the goals you have for yourself and your family. Here are some ideas to get you started.

✔ **Take advantage of savings perks:** If you contribute pretax earnings to a 401(k) plan or IRA, you're saving money beyond your actual contribution amounts. Say your monthly gross pay is $5,000 per month. You currently don't contribute to a 401(k) plan. You decide to start saving 3% each month (or $150) in your employer's 401(k) plan. This $150 comes out of your paycheck pretax, which means that even though you're saving $150, your paycheck only shrinks by $112 — in other words, you've saved $38 a month on taxes, or $456/year. Another way to save? Make sure you're contributing enough to get your employer match, since this is a great way to increase your savings without actually shrinking your take-home pay.

✔ **Get your benefits:** Your employer may offer benefits beyond a 401(k) plan that could save you money. Flexible spending accounts are common benefits that allow you to set aside pretax income for out-of-pocket medical expenses. Some employers even offer discounts on gym memberships or other services. Take the money you save by participating in these programs and use it to boost your retirement or emergency savings.

✔ **Cut recurring expenses:** Monthly subscription plans, streaming entertainment services, gym memberships you don't use — these regular costs can add up. While some may be worthwhile, trimming the fat in the area of recurring expenses can help you save more. For example, take your cell phone bill. Could switching to a different plan save you money? Do you need the premium cable package? How often to you listen to satellite radio? Keep what you actually use and drop the things you don't use.

✔ **Buy generic:** Do you always buy the name-brand version of a product? If so, you might be wasting money. In many cases, the generic version is just as good — if not identical to — the pricey, branded version. Take it from the experts: a recent survey found that chefs favor generic versions of baking mixes, sugar, and tea; while doctors were happy with generic versions of over-the-counters medicines like aspirin and ibuprofen.

✔ **Make it automatic:** Not sure where your money goes each month? Automate your savings so you don't have to think about setting aside extra cash. Chances are you won't even miss that money.

✔ **Be generous:** If you itemize your taxes, make sure you're keeping track of all charitable donations — from checks you write to the value of that box of gently used clothes you just dropped off at Goodwill. You can deduct the contributions you made to eligible charities come tax time, allowing you to save (or give) a bit more.

✔ **Cut one habit:** Do you indulge in daily soda or an expensive coffee drink? Cut the habit (or, if that's too hard, limit it to two or three times a week). Set aside the money you would have spent in a jar and watch your savings grow.

✔ **Repair, don't replace:** It's easy to toss a slightly worn or damaged item and buy a new one to replace it. But many of the items we throw out can actually be repaired. Find a skilled shoe repair person, quality tailor, experienced upholsterer and furniture repair person, and other professionals to spruce up items that need a bit of repair. By purchasing quality items and taking good care of them, you'll likely save yourself money in the end.

✔ **Use coupons:** Clipping coupons may seem distinctly old-school. Fortunately, you can now take advantage of coupon savings without having to spend an entire Sunday morning sorting through newspaper inserts. When shopping online, always do a quick search for online promo codes and coupons before hitting buy. Or sign up for your favorite grocery store's rewards program and enjoy seamless savings.

✔ **Review your insurance premiums:** Raising deductibles or bundling policies could save you money. Also, make sure you actually need the insurance you have — cell phone insurance and warranties are often a waste of money. Finally, make sure you're getting all the discounts you qualify for, like car insurance premium reductions for being a safe driver or homeowners insurance discounts for having an alarm system.

Looking for more ways to boost the amount of money you save? Please call for help analyzing your budget and identifying ways to cut your expenses and save more of what you earn. ❍❍❍

Distributing Your Estate to Grown Children

Even though your children may now be grown, they are probably still the center of your estate plan. Just because they are adults doesn't mean you have to leave their entire inheritance to them outright. Consider these factors first:

Do you want to distribute your estate gradually? If substantial assets are involved, you may want to set up trusts to distribute your assets gradually, such as in thirds when each child reaches age 25, 30, and 35. You can always give the trustee power to make early distributions for specific items.

Have you selected a trustee carefully? If trusts are involved, you want a trustee who is impartial and will deal fairly with all your children. Think twice before naming one of your children as trustee. One sibling in a position to decide what happens to other siblings' inheritances can cause disagreements among siblings.

Have you thought about the consequences of a child divorcing? You probably don't want a portion of your assets distributed to an ex-daughter-in-law or ex-son-in-law, so special provisions may need to be added to trusts.

Have you considered how assets will be distributed among children? Perhaps one child is better off financially than your other children. Do you divide your estate equally or give less to the financially well-off child? Children often feel a right to an equal share of their parents' estate, even if they have a substantial estate of their own.

Do you need to make special distributions to even out inheritances? Perhaps you have paid all college costs for some children, while other children have not attended college yet. You may want to ensure that all children receive a college education, and then distribute the rest of your estate equally.

Should you coordinate your estate plan with your children's estate plans? If your children have substantial estates of their own, it may not make sense to leave additional assets to them. They may prefer those assets go directly to their children, helping to minimize family estate taxes.

Have you explained the need for estate planning to your children? Especially if you are leaving a substantial estate to your children, they may need to plan their own estates. You don't need to dictate what they should do with their estates, but gently remind them why they need an estate plan. ❍❍❍

Life Insurance Tips

- Don't rely on rules of thumb when deciding how much life insurance you need. Go through a detailed analysis of your needs.
- Evaluate who should own the insurance policy, which determines whether the proceeds will be subject to estate taxes.
- Select beneficiaries with care, being sure to name contingent or back-up beneficiaries.
- Before deciding on a specific type of life insurance policy, review all available options.
- Look for ways to reduce premiums by meeting certain criteria.
- Don't purchase cash-value insurance unless you plan to own the policy for at least 10 years.
- Check the financial rating of your insurance company periodically to make sure its financial status has not weakened.
- Don't replace an existing life insurance policy without first evaluating the consequences of surrendering the policy.
- Review your life insurance polices every couple of years. This review gives you a chance to evaluate the policy's performance and whether your needs and/or circumstances have changed. ❍❍❍

If you would like to receive your quarterly newsletter by email, please send an email to Andrew Wade at awade@sterneagee.com. Notify whether you would like to receive your quarterly newsletters by mail, email or both.