VAN LIEW TRUST COMPANY

as we see it

Fall 2017

THOUGHTS FROM OUR CHAIRMAN

In this issue, our associate Sam Hallowell discusses how retirement planning has become more important because we are living longer. Today, many people still focus financial planning and investment goals to meet immediate family needs and taxes. But to do a good job, we also need to realistically adjust our financial plan so there will be sufficient assets left to allow us to live out a full and longer life with dignity.

When speaking about mental or physical capabilities, many have pointed out it is necessary to "use it or lose it". This applies to the mind and body parts. It does not apply to money. By starting to save early and investing wisely you can increase your chances of enjoying retirement. But all things mental, physical and financial require discipline and a plan. We hope you find Sam's observations pertaining to financial planning useful.

Alfred B. Van Liew

To Retire or not to Retire, that is the Question . . .

(With apologies to William Shakespeare)

Samuel H. Hallowell, Jr.

One of the old maxims of retirement investing is you should gradually minimize risk as you get older by reducing the amount you have in equities in favor of increased investments in high-grade bonds, government paper and other "safe" assets. Another old adage to attain that goal says your portfolio should be invested in stocks no more than 100 less your age. Under that rule for example, if you are seventy you should have 30% of your portfolio in equities and the balance in safe assets. Sounds straightforward, but it's too simplistic to apply this one-size-fits-all approach to retirement planning.

Times have changed. Yields on high-grade bonds, government debt and bank certificates of deposit are now roughly half of what they were 10-15 years ago; defined benefit pension plans are gradually dying out, health care costs continue to rise meanwhile government sponsored health plans may be on the verge of significant change, the size of the Social Security Trust Fund is shrinking, but, most importantly, people are living longer. It may be more appropriate today to change the 100 minuend mentioned earlier to 120 or more. For many, the ideal of retiring at 65 and living out a comfortable life is no longer an option because the costs of living the additional 10-15 years could overwhelm their too conservatively invested retirement savings.

Today, people are finding that attaining retirement security can only be achieved by staying healthy through good exercise and diet, investing more aggressively and working longer to supplement their retirement benefits. A special report entitled "**The Economics of Longevity**" in the July 8, 2017 edition of *The Economist* points out that "in America today a 70-year-old man has a 2% chance of dying within a year; in 1940 this milestone was passed at 56." In 2016 the average life expectancies for a US man and woman were 76.3 and 81.3 years, respectively. No questions about it, we are living much longer on average than our parents and the tradition of retiring at age 65 is not necessarily financially viable in today's low interest environment, nor intellectually desirable, because we possibly have another 10-20 active years of life ahead of us.

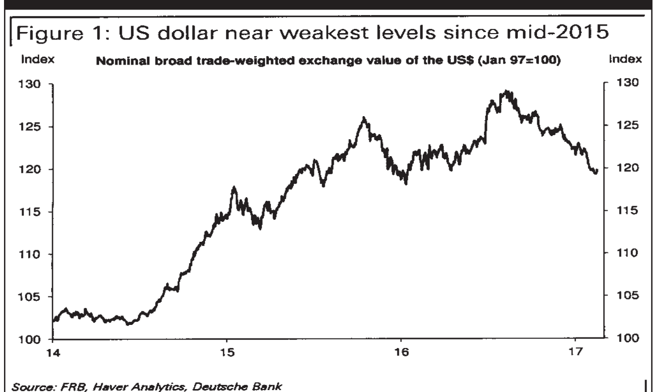
Unfortunately, much of the business world, as well as social/medical-support systems, have not adjusted to this changing definition of "old." They cling to the belief that reaching 65 is a cliff over which individuals fall, become unproductive and a burden on society. Thus, the new "young old" are caught in a catch-22 situation where although they are healthy and able to continue working, by virtue of age alone they are expected to step away from the workforce.

What can be done to mitigate the costs of living longer? If you are currently employed, maximize contributions to your 401K or company sponsored retirement plan as soon as possible. If you are self-employed, open an SEP plan and set aside the maximum amount allowable without harming your annual budget. Start an IRA. Even though you may be contributing after-tax dollars the potential growth in value will be tax deferred. If you are out of work as the result of retirement or down-sizing, dust off your resume and search for another job. Explore working part-time or starting your own business. Most importantly, begin a savings program today and reduce outstanding indebtness. The article in *The Economist* goes on to point out that "Roughly 40% of Americans approach retirement with no savings at all in widely used retirement accounts such as IRA's and 401(K) s." Sadly, for those millions of people, aging gracefully will be very difficult.

With a longer time horizon, you may be able to be more aggressive with your investable assets, but always keep in mind your overall tolerance for risk. Review and adjust your asset allocations more frequently. For example, reduce your commitment to fixed-income investments when interest rates are falling and expected to remain so for some time while increasing the amount in stocks which tend to perform well in a low interest rate environment. Consider investing in large capitalization companies with growing dividends rather than smaller companies offering no dividends. The market values of the large capitalization stocks are often less volatile during stock market corrections, too. In addition, plan for the possibility of costly end-of-life medical care as it is often the greatest financial risk of aging. It could be beneficial to investigate purchasing a supplemental long-term care insurance policy if your family has a history of medical issues.

These are just some of the issues that result from living longer and we at Van Liew Trust Company would be delighted to assist you in reaching your goals.

TRENDLINES



A weaker US Dollar is may not as bad as it appears. The weaker dollar makes US made goods cheaper for international buyers. As such, US exports may increase. Also, after a couple years of currency translation headwinds to their earnings due to a higher dollar, corporations may finally see a boost to the bottom line.

We would be delighted to meet with you to share comments about this article, or to review your portfolio in detail.

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