UPCOMING SEMINARS

TWO SEMINARS!

TWO CHANCES TO LEARN!

SEPTEMBER 10—7:00 P.M.

TRUST EDUCATION FOR SUCCESSOR TRUSTEES

LEARN WHAT YOU NEED TO KNOW IF YOU ARE A SUCCESSOR TRUSTEE

SHERATON ROCKVILLE HOTEL
920 KING FARM BLVD., ROCKVILLE, MD

SEPTEMBER 17 —7:00 P.M.

ESTATE PLANNING 101

HOW TO LEAVE YOUR CHILDREN TREASURE, NOT TAXES!

SHERATON ROCKVILLE HOTEL
920 KING FARM BLVD., ROCKVILLE, MD

TO REGISTER, CALL

301-990-4395

OR EMAIL WSG@NATPLAN.COM

Seminar locations and dates are subject to change, always check with our office for the most up-to-date information.

WEALTH STRATEGIES GROUP

2099 GAITHER ROAD, SUITE 110
ROCKVILLE, MD 20850
PH. 301-990-4395 | WSGMD.COM

WSG Staff News

Pam Flick Earns CFP Designation

Congratulations are in order for Pam Flick, Director of Planning. Pam recently passed her exam to become a Certified Financial Planner! The Certified Financial Planner designation is a professional certification for financial planners and is the gold standard in the industry. To earn the CFP Board designation, candidates must meet several requirements including education, examination, experience and ethics requirements.

Welcome New Staff Member: Sophie Leahy

Please welcome our newest staff member Sophie Leahy. Sophie started as an intern in the planning department and has recently agreed to come on board as a part-time planning assistant. Sophie is currently taking classes to obtain her CFP designation and hopes to take the final examination next year.

WEALTH STRATEGIES GROUP

FINANCIAL FOCUS

ISSUE 18 · FALL 2015

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CYCLE DYNAMIC PORTFOLIOS

WHAT ARE THEY AND ARE THEY RIGHT FOR YOUR PORTFOLIO?

By Patrick Carroll, CFP®

The Cycle Dynamic portfolio seeks to dynamically optimize portfolio allocation through the economic cycle. By managing risks and adapting to new trends in real time, back tested data shows that higher returns and lower risk may be achieved. A module approach then enables portfolios to be designed to meet each client's investment goals.

What is Cycle Dynamics?

The methods used to analyze securities and make investment decisions fall into two broad categories: fundamental analysis and technical analysis. Fundamental analysts examine earnings, dividends, new products and research. Technical analysts study supply and demand in an attempt to determine what direction or trend will continue in the future.

Cycle Dynamic portfolios use the technical analysis method of making investment decisions. The portfolios are constructed by establishing a portfolio of ETFs, which track asset classes that perform well under different market scenarios. The Cycle Dynamic system uses the markets own barometers to select what is doing well and seeks to manage risk within each module.

There are four modules within the program that are rebalanced regularly. These modules include the Bond Selector, Equity Selector, Commodity Selector and Asset Selector. For each model, ETFs are selected from asset classes that are performing well in the current market environment and have positive trending analysis.

What are the benefits of using Cycle Dynamics?

- The possibility of higher returns with a lower risk. The Cycle Dynamic system changes frequently to move portfolios into positive trends.
- Cycle Dynamics is much more adaptable to changes in perceptions of value, and varying economic and policy environments.
- Overall, Cycle Dynamics brings a great deal of clarity and flexibility to the investment planning process. By shifting the weights of the modules, different ranges for the asset allocation can be produced to suit each investor.
- Every element of the portfolio has shown, historically, to have lower volatility than the S&P 500 or the relevant benchmark. In addition, the system can adapt to new circumstances as soon as they appear, including the ability to move into cash when warranted. For more information on the benefits of adding Cycle dynamics to your portfolio, call today for a meeting with one of our advisors.

The information contained in this article is for informational purposes only and does not represent investment advice or recommendations. Back-tested results do not represent actual portfolio performance. Past performance does not guarantee future results. Please remember that investment decisions should be based on an individual's goals, time horizon, and tolerance for risk. Indices are unmanaged indicators of market performance and cannot be invested into directly.

Thursday, September 10—7:00 p.m.

TRUST EDUCATION FOR SUCCESSOR TRUSTEES

Bring Your Children/Successor Trustees to this Important Event!

Location: Sheraton Rockville Hotel—Coffee and Dessert will be served

Thursday, September 17—7:00 p.m.

ESTATE PLANNING 101

Learn the Benefits of using a Revocable Trust in your Estate Planning!

Location: Sheraton Rockville Hotel—Coffee and Dessert will be served

SPEAKER FOR BOTH SEMINARS: Patrick Carroll, CFP®

Call 301-990-4395 or email wsg@natplan.com to reserve a seat!

Financial Safety Cushion

How Much Is Enough and Where Do I Keep It?

By Stephen Zelcer

Here's a recent question I received via email. This is one of those "simple" questions that needs a long winded answer.

Q: *How much of a safety cushion do you recommend having, and where do you suggest to keep it?*

A: Let's take a deeper look into safety cushions and try to define an acceptable answer.

Rule of Thumb vs. your personal reality:
It's always good to have a point of comparison between the correct answer and the not-so-correct answer. Many of my readers may have come across a "rule of thumb" safety cushion ballpark which is somewhere between 3 to 6 months of living expenses. So, for example, if your monthly living expenses are $5,000 per month, 3 to 6 months of expenses would require $15,000 - $30,000 of a safety cushion.

Why could the rule of thumb be wrong?
I'm not sure who formulated this rule of thumb but I will say this; Safety cushions are a form of insurance to protect against risk, and risk tolerance *is always a personal decision.*

Safety cushions are designed to protect against something going wrong. What is the thing that could go wrong? Really, anything could happen. And should something go wrong and you need money in a pinch, how much money will be enough. Doesn't it depend on what goes wrong?

For example, someone may lose their income either because they got fired, or they got disabled, or because of some personal legal issues that tie up one's finances and emotions.

Well, these three scenarios present different challenges, especially if one is not receiving unemployment payments, or disability payments. Or perhaps they need immediate medical treatments which are not covered by health insurance. Or perhaps, lawsuits or legal fees are costing much more than anticipated.

I hope you can continue this line of thinking and realize that since anything can go wrong, and it may end up costing you any amount of money, the amount of money in your safety cushion is going to have to be an amount that ***you feel comfortable with.***

Everyone carries the risk of something going wrong. We have different types of insurance that address many faces of risk. What level of risk can you tolerate? That's not for me to tell you. That's for you to tell me.

Where should you place your safety money?
This money is usually placed in highly liquid AND low risk (preferably NO loss of principle) vehicles such as money market accounts or mere checking/savings accounts. After all, it needs to be there in case of a rainy day. But, once again, that's totally up to you! If you would like to be more aggressive and expose your safety money to risk of loss (sort of an oxymoron) you could venture into short term (but highly liquid) bonds.

The "cost" of your safety cushion:
Another point which needs to be made very clear is this; since your insurance or safety money is usually not aggressively invested, it may not provide you the growth you need to attain your other financial goals (such as retirement or college savings or buying a home). Any money you put in your "rainy day" fund is money that will not be invested in aggressive vehicles and that may put a drag on the growth of your portfolio.

This is true for all your insurances and is my classic example of how personal philosophy impacts a financial plan.

BUT!...(some rainy day strategies to consider):
Depending on your personal philosophy or risk tolerance, you may be able to achieve the safety cushion you want without compromising some of your other financial goals. But beware, not everyone will agree with these strategies.

1. Does your rainy day fund need to be in cash? Perhaps you feel comfortable enough using a line of credit against your home equity (HELOC), or perhaps you're even comfortable calling upon your credit cards. Again, totally a personal preference.

2. Your rainy day fund may just be the conservative part of your total portfolio. Most portfolios have aggressive holdings and conservative holdings. You may not have viewed your safety cushion as part of your portfolio until now, but why not start? If you look at your safety cushion (and/or your home equity, and/or your insurances) as part of your total portfolio, you may discover two things:

    A. Your portfolio may need to be rebalanced. Since you have conservative rainy day funds as part of your portfolio, now your other conservative holdings should be reallocated so as to NOT duplicate the role of the rainy day funds.

    B. Your safety money can give you "permission" to invest other money more aggressively. Essentially, you can invest your other money with the knowledge that should your investment ever lose value, you can wait out any downturns, avoid taking distributions from your investment while it is devalued, and instead access your distributions from your cash cushion.

From the above I hope you'll see that your definition of an adequate safety cushion should reflect your overall risk tolerance and will likely impact your entire financial plan.

Stephen Zelcer is an advisor who specializes in benefits for federal employees. He is also an accomplished lecturer presenting seminars on a variety of topics.

Stephen can be reached at stephen.zelcer@wsgmd.com or at 301.990.4395.

The Special Needs Trust

By Patrick Carroll

If you have a child with special needs or care for an adult relative who is mentally or physically challenged, you face long-run financial demands. In all probability, federal and state assistance won't help you meet all of them. What options are available to help meet these needs?

The special needs trust was designed to meet this need by providing for an individual or family member's supplemental needs, assorted care and lifestyle needs that cannot be met using government assistance. A trustee uses such a trust to make various purchases of goods and services on behalf of a person considered permanently and totally disabled. The trusts were officially recognized by congress in 1993 to give families a smart alternative to other potentially flawed arrangements to provide for these individuals over a lifetime.

It is still common for a sibling of a disabled person to hold assets that once belonged to their sibling. Too often, these assets become "easy pickings" in a bankruptcy, litigation or divorce situation. Other families set up pooled trusts for distributing funds to their children, naming all the children as beneficiaries. This keeps disabled children eligible for federal and state benefits, but it also invites other siblings to fight over or lay claim to the pooled assets.

Monies in a special needs trust are not exposed to creditors and are still non-countable assets so that the beneficiary can continue to qualify for social services programs and medical benefits. Trust assets are typically invested in securities with the resulting income stream used to pay for the beneficiary's needs.

Many trusts are funded with life insurance or other assets from parents or grandparents. They may also be funded using a disabled individual's own assets or money received from a settlement. Some parents will establish a special needs trust that will be funded when they pass away.

Depending on the state they live in, the beneficiary of a special needs trust cannot have more than $2,000 in assets in their own name. They must also be younger than 65 when the trust is established. If you wish for your loved one to have a good quality of life for years to come, a special needs trust may be the answer.

Representative is not an attorney, does not draft estate planning documents, and may only serve to coordinate an overall estate plan. You should consider the counsel of an experienced estate planning attorney or other professional before implementing any strategy.

Patrick Carroll, CFP®, CEO of Wealth Strategies Group, has over 30 years of experience in the financial services industry. He provides educational seminars on a variety of topics and will soon publish his first book, *Taming Your Money Elephants.* Pat can be reached at patrick.carroll@wsgmd.com or 301.990.4395.

Patrick Carroll

David Shober

Stephen Zelcer

Quarterly Commentary

The debt crisis in Greece, the stock swoon in china, renewed dollar strength, unimpressive quarterly results from some of the blue chips...there were considerable headwinds on Wall Street in July. However, we did see the S&P 500 overcome the obstacles and rise 1.97% for the month.

Consumers were less confident in July as news of the debt crisis in Greece and the stock market gyrations in China reached Wall Street. But the latest Labor Department report shows no letup in the pace of hiring, with employers adding 223,000 new workers in June.

Given this mixed bag of early summer statistics, investors wondered if the Federal Reserve might hold off on a rate hike until late in the year. How did homes sell in June? Reports issued in July by the Census Bureau and National Association of Realtors showed new home sales tapered off but resales increased by 3.2%

Will we see investors biding time until the Fed does or does not make a move this fall? If we get a bunch of strong economic indicators, a recover y for oil prices and some nice earnings surprises, stocks might rally out of the anticipated summer doldrums. As this is the 76th month of the bull market, we are watching the markets carefully.

Enjoy the fall season — we look forward to seeing you soon!