Outlook

A Quarterly Newsletter from Roffman Miller Associates

12 July 2016

Looking Back, Looking Forward

In 1990 when we were first starting Roffman Miller our lawyer arranged for me to have lunch with one of his clients who owned a well-respected money management firm. The gentleman was very gracious and was willing to answer my many questions, especially about what it took to be successful in what then was a new kind of relationship. Very few firms were fee-based only and commissions were the way that most advisors made their money. He explained to me that in the short term you could make a lot more money if you charged commissions, but in the long term you will be much more successful as a fiduciary in a fee-based advisory role. That was music to my ears since I had just spent over 10 years working for Wall Street as a commissioned stockbroker. I knew that a fee-based relationship was much better for the client but I was happy to hear that it could also lead to a prosperous business. His firm was a great example of thinking long-term and doing what was best for the client. He also explained to me that "until you have $25 million under management you're not going to know if you'll make it. That should be your first goal." I then asked him how much he had under management and I was extremely impressed when he told me he was managing $100 million. I remember saying to myself "if only we could get to $100 million," that would be my definition of a successful career. I'm telling you this story because this past May Roffman Miller reached $1 billion under management (despite the Brexit inspired stock market volatility). The reason behind this success is the remarkable team of dedicated professionals that work hard every day to see that our clients reach their financial goals. Our team is what I'm most proud of and I congratulate them on reaching this milestone.

I wasn't even going to mention Great Britain's vote on leaving the EU but since I have, now I feel I should at least comment on it. I'm not going to talk about the political aspects of this decision. What I do want to mention is that as it applies to investing, it has caused short term turbulence but I don't think it's going to affect the long-term. As you know we don't invest in the markets, instead we invest in companies that have very smart people going to work every day to make their businesses better. I trust that management will continue to make the right decisions given the ever-changing circumstances.

Roffman Miller was built on a strong foundation and our disciplines have guided us well for the last 26 years. Just like I have confidence in the management of the companies we've invested in I also have great confidence in the team that runs our company. That is why I am able to step back from the day-to-day operations and enjoy my retirement. You will still hear from me periodically because I intend to continue contributing to the newsletter with articles about companies, the economy, and retirement. While I'll still be involved and retain a minority ownership, I will let the next generation take us to the next billion.

I always welcome your comments as well as your concerns and will be happy to talk to any of you, hopefully for many years to come.

Sincerely,
Peter Miller
Chairman and Founder

Estate Planning 101 – Ten Bullet Points for the Busy Person

By Peter Klenk, Esq.

1. **Size Doesn't Matter**: No matter how much or how little you may own, an Estate Plan makes sure your family is cared for and your plans are carried out at your death.
2. **Estate Plan Elements:** The basic documents everyone needs are a Will, Power of Attorney and a Medical Power of Attorney. If you have minor children, then a trust, either in the Will or outside the Will, is essential. Other documents may include an IRA Trust (if you are leaving an IRA to a minor child), a Revocable Trust (if avoiding probate is to your advantage), a Life Insurance Trust (if removing your life insurance from your estate is advantageous) and a Temporary Guardianship Appointment (if you have minor children, this gives power to a guardian to act if you are incapacitated).
3. **Asset Review:** Different assets require different plans. An Estate Plan should reflect your assets. Most people want assets to remain within the family. Planning to maintain assets within the family differs if the asset is an IRA, 401k or 403b, (IRA Trusts to avoid income tax problems), real estate, or cash. Location also matters, as real estate in Boca Raton, Florida is taxed very differently from real estate in Burlington County, New Jersey.
4. **A Will saves Money.** Dying without a Will requires an "intestate estate" be opened, which is more costly than if you have a Will. If you have minor children, it is irresponsible not to have a Will naming a guardian and a trustee to care for your child's physical and financial well-being.
5. **Children = Trust:** If you are leaving any assets at all to your children, a Trust is an excellent idea. If it uses the correct techniques, a Trust can protect the assets from divorce, legal entanglements and helps make sure your assets are used for your family…not your children's future spouses and friends.
6. **Communication is key:** Most people feel uncomfortable talking about their estate plan with their heirs. It is difficult, but sharing information about how your Estate Plan is crafted, whom you put in charge, and why you have divided assets as you did can reduce generations of hurt feelings and perhaps years of litigation.
7. **Practice Makes Perfect:** Review your Estate Plan regularly and after any change to your residence or family make-up. Estate law and estate and inheritance tax rules change constantly. The rules of Pennsylvania are different from those in New Jersey, so if you move you may have substantially different laws with which to deal. Setting up a trust protects the assets you leave your children from divorce, but should a child get divorced, it is wise to review your plan to make sure further protections are not warranted.
8. **Don't Give it All to your Spouse!** Leaving all your assets outright to your spouse misses a huge opportunity! Instead, give your spouse the option to *voluntarily* have assets held in trust. Flexibility is key when you are dealing with an unknown future, and if your spouse decides to shelter part or all of the assets, these assets will be safe from creditors, divorce, bankruptcy and other legal problems. Why not be safe?
9. **The Perfect Gift:** People are often told to give money to their children to reduce taxes…but it is better to give money in trust for your children than to give it outright. If drafted correctly, your child can be in charge of the money you give to a trust, but the money will not be lost should your child be in a divorce, lawsuit or bankruptcy. Should your child die before you the money stays in the family rather than passing to your child's spouse or friends.
10. **Charity Begins at the IRA:** Why give money at your death through your Will (after tax dollars) when you have an IRA (pretax dollars)? An Estate Plan should examine where your gifts come from and consider not only ways to reduce Estate and Inheritance Taxes, but also ways to reduce Income and Capital Gains taxes.

This article may look familiar; it appeared in our October 2011 newsletter. Peter Klenk is an independent attorney who focuses exclusively on wills, trusts, probate, inheritance and estate taxes.

Organize Your Financial Affairs – The Gift of Peace of Mind

Last month I met a client at the Charles Schwab office in Newtown, PA. We reviewed his portfolio and discussed financial planning issues. During our conversation, he mentioned a Wall Street Journal article, *The 25 Documents You Need Before You Die*. The article obviously made quite an impact on him and reminded me of our *Important Document Checklist*, which we periodically include in our newsletter.

We all know we should have an updated will among other important documents. However, it's just as important to have a system in place to give friends or family members access to them in times of emergency. Knowing where to look can save your children thousands of dollars and the painstaking task of tracking down accounts, legal documents, health records, professional and personal contacts, etc. Having your financial affairs in order will certainly give you peace of mind, but it's really a gift to those you leave behind.

Consider creating a master binder complete with a letter of instruction, account log-in information, and a list of important contacts. Keep your files up-to-date and store a copy at a friend's or relative's house in case your home suffers a fire or flood. If you own a safe-deposit box consider granting access to one of your children or a trusted friend. Otherwise, it may be inaccessible to your heirs without first securing a court order.

Below is our document checklist. I would also encourage you to find and read the Wall Street Journal article mentioned above. Although it's now 5-years old, it's just as timely and informative.

Kevin Cooke, Investment Manager

Important Document Checklist

Below is a list of documents that should be filed in a place that is safe and accessible in the event you die or become incapacitated. They should easily fit in an accordion folder or a ring binder:

- ☑ **Original Will**
- ☑ **Durable Power of Attorney**
- ☑ **Durable Healthcare Power of Attorney**
- ☑ **Living Will**
- ☑ **Letter of Instruction (with funeral arrangement request, for example)**
- ☑ **Life Insurance Policies (don't forget to include policies through your employer)**
- ☑ **Proof of ownership (of house, land, cemetery plots, vehicles, stock certificates, savings bonds, partnerships or corporate agreements, brokerage accounts)**
- ☑ **Bank Account information and online login information**
- ☑ **List of Safe Deposit boxes (and consider registering with a spouse or child so they won't have to get a court order to open them)**
- ☑ **Pension, Annuity, IRA and 401k details of accounts and beneficiaries**
- ☑ **Loans made to others**
- ☑ **Debts that you owe**
- ☑ **A simple list of your monthly obligations (so that your bills get paid)**
- ☑ **Copy of any Living Trusts**
- ☑ **Recent tax returns (three years)**
- ☑ **Marriage License**
- ☑ **Divorce judgment/Decree (with details of child support, alimony, property settlements and QDRO if applicable)**
- ☑ **Contact sheet of your professionals (Tax preparer, Financial Advisor, Legal Advisor)**
- ☑ **Names and addresses of friends and family you would want contacted if you passed**

Risk and Retire

Risk: that four letter word that appears in just about every conversation about investing. And with good reason: investing is putting your capital *at risk* on the premise that you may earn more of a return than you could get in some sort of safe or guaranteed security. Despite the ongoing conversations incorporating risk into portfolio construction and financial planning, most folks really don't know quite how to define or quantify it. And, with interest rates as low as they are, it makes it even more difficult to invest for and during retirement these days.

The way I experienced retirement planning for most of my lifetime was that folks saved and invested over their working years, and then at retirement tried to live off the income generated by money markets and CDs. For example, if you were fortunate enough to save one million dollars over your lifetime, you were then able to put that all into a money market fund and earn 5% interest, or $50,000, per year to spend without touching the principal.

With the advent of the 401(k) in the 1980s and the long bull market of the '80s and '90s, investors accumulated wealth at an unprecedented rate. It seemed so easy to make money in the markets in the late '90s that some disregarded the general rules of asset allocation and valuation. Then came the bursting of the tech bubble and the September 11th attacks, and by the time the bear market ended in 2002 people had an updated view on the markets, risk, and retirement planning. Some perceived the market to be rigged. Others finally realized that sales and earnings matter and if you invest in companies that have neither you might lose all your money. And, for an unfortunate group, they realized that the greedy pursuit of quick fortunes in startup tech IPOs can lead to losses so great that retirement would be delayed or even impossible.

For nearly twenty years, investor risk came in two flavors: you either worried about volatility if you were in the market, or the risk of missing the greatest bull market of the 20th century if you were not in it (see Peter's letter from last quarter, 'The Greatest Risk Is In Not Taking Any Risk At All'). But after the 2000-2002 bear and the 2008 global financial crisis, investors were gripped with another fear: that the global economy could collapse once again and investors would lose everything. This panic pushed many investors into cash, which helped fuel the drop in interest rates. The renewed fear of loss, lack of confidence in global politics and economics, and low rates have created a vacuum in the retirement thought process that needs to be filled with conversation about how to construct a spending and investing plan that will confidently carry you through your retirement years.

Uncertainty surrounds us at all moments of our lives. Please take the time to discuss with us how to build a portfolio that can best meet your needs for whatever stage of life you're in, at the same time minimizing the fears associated with the market risks we've discussed. We believe our process for constructing retirement portfolios should continue to rely on allocating to stocks, bonds, and cash – cash for short-term needs, bonds for scarce income they can produce but also the more predictable cash flows that come from a sequence of bonds maturing year after year, and stocks for income, growth and the inflation fighting capacity of growing dividends. It's still difficult to gage an investor's appetite for risk in a portfolio; most people agree they don't want investments that have a high probability of being worthless someday, and most don't want to be all in cash. Somewhere in between we hope to find an appropriate mix, with your input, that suits your needs. And please review the advice on the previous pages that addresses the risks of improper or incomplete estate planning; if you have work to be done, feel free to contact us and we can refer you to an estate planning professional in your area.

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