Roffman Miller
Wealth Management

outlook

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Fortunately, at Roffman Miller we don't make interest rate bets.

$17 Trillion Reasons Why

Interest rates around the globe are at historic lows and they are trending lower. Over eighty percent of Central Banks globally are on an easing cycle. How long this will last is anyone's guess. Since last year, negative-yielding debt has tripled to the current level of over $17 trillion. Five years ago negative-yielding debt didn't even exist. Of course, this is bad for savers and bank profits but it's good for borrowers. Denmark and Germany recently introduced negative interest rate mortgages! Unfortunately, Americans are not yet eligible. Also, Jyske Bank of Denmark has negative interest rate savings accounts. Jyske Bank charges 0.6% per year on saving accounts with balances of $1 million or more. Moreover, UBS Bank of Switzerland charges 0.75% on savings accounts of $2 million or more. President Donald Trump called for zero or negative interest rates in the U.S.; Jamie Dimon, the CEO of JP Morgan, thinks this is unlikely to happen. Although Jamie believes that rates in the U.S. are unlikely to drop to zero or into negative territory he said that the recent drop in rates surprised him. Fed Chairman Jerome Powell, in his September news conference said, "I do not think we'd be looking at using negative rates." Powell went on to explain that even in the great recession of 2008 they decided against the use of negative rates. The Fed believed then, and still does now, that large scale asset purchases would be more effective. In fact, the recent drop in interest rates surprised most financial institutions and professionals. In my opinion, in the near term it appears that the path of least resistance is to the downside for U.S. interest rates and I have $17 trillion reasons why I think this way. The massive amount of negative interest rate debt around the globe is putting a ceiling on our long-term rates. I certainly wouldn't be surprised to see money market rates come down over the remainder of the year. Fortunately, at Roffman Miller, we don't make interest rate bets. Our laddered bond portfolios stagger maturities over many years. Every year maturing bonds will provide us with an opportunity to evaluate the current investment landscape and make intelligent decisions on how to reinvest the proceeds. This built-in flexibility has served us well over the years. Also, the low interest rate environment has been a boost to our dividend-paying stocks. Most of our companies have an impressive track record of consistent dividend growth. Texas Instruments is a good example as they recently increased their dividend by 17%. Moreover, they've also reduced their share count by 46% through share repurchases since 2004. The Texas Instruments stock price also appreciated by 19.5% per year over the last decade. Shareholder friendly results like this have attracted a lot of attention to well run businesses. As a result, income oriented investors who are frustrated with low bond yields have been rushing into dividend paying stocks. Despite record low interest rates in the U.S. our interest rates are relatively high compared to the rest of the developed world.

Bob Hofmann
President

The G20 is the acronym used for the Group of Twenty which is a forum for world governments and central banks to engage in policy discussions relating to the promotion of financial stability. The G20 is made up of 19 countries and the European Union (EU). As a group, the G20 represents about 80% of world trade and two–thirds of the world population. The G20 is made up of both advanced economies and emerging economies. The advanced economies are the U.S., Australia, U.K., Germany, Japan, Canada, France, Italy, and South Korea. Of these 9 advanced economies, the U.S. pays the highest rate of interest on its 10-year debt. The U.S. economy is the largest in the world. Our economy is also the strongest in the world, as is our currency. Given that, why are we paying the most of any advanced economy in the G20 to finance our debts? Below is a list of the current interest rates of the 10-year sovereign bonds for these nations:

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Country	10 Year Government Bond Yield	Country	10 Year Government Bond Yield
U.S.A	1.63%	U.K.	0.47%
Canada	1.34%	Japan	-0.16%
South Korea	1.48%	France	-0.27%
Australia	0.97%	Germany	-0.57%
Italy	0.85%		

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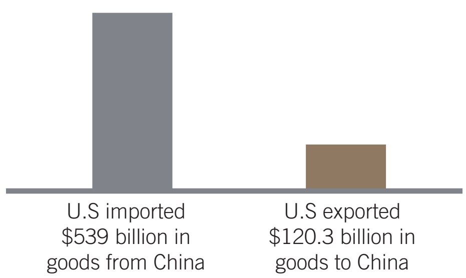
In my opinion, this is unsustainable. Interest rates around the world in the advanced economies will either have to rise and close the gap with the U.S. yields or rates in the U.S. must fall and join the herd. In addition to low interest rates, the world is on edge about the U.S. and China trade war.

Many of our clients are calling about the China and U.S. trade dispute. The trade conflict is certainly gaining a lot of media attention and the media is certainly doing everything it can to sensationalize the negotiation. To date, the trade dispute has hurt China a lot more than the U.S. Our economy is doing very well and unemployment is still at historic lows. U.S. farmers have certainly been hurt and the U.S. consumer is likely to feel some price pressure on imported goods but the effects thus far have been marginal. The Chinese economy, on the other hand, has had significant weakness. In our second quarter newsletter, I thought the U.S. and China could possibly come to a trade agreement by the end of this year. I still believe this timeline is possible but I wouldn't be surprised to see this negotiation extend into 2020. At the end of the day, both countries need each other and an agreement will have to be reached. The large trade deficit between the U.S. and China will eventually narrow (see 2018 trade deficit below). China's working-age population has been declining since 2012 and wages in China are increasing. As China develops from an emerging economy to an advanced economy increasing wages are inevitable. As a result of these changes, companies have been moving factories to less-developed Asian countries like Vietnam, Cambodia, Thailand and the Philippines where wages are lower. In China, manufacturing wages are about $4 an hour. In Thailand, manufacturing wages are about $2 an hour. For the Philippines, Vietnam, and Cambodia these wages are around $1 per hour. However, this relocation has been slow and these developing countries lack the scale and infrastructure required to facilitate a colossal shift. Regardless, any competent CEO who is manufacturing a significant amount of their product in China has to be thinking about diversifying their supply chain. Over time I believe China will receive a smaller percentage of U.S. manufacturing and lower cost neighboring countries will receive more. This transition will happen over decades, not years. As a result, China and the U.S. need each other, so I'm optimistic that a trade agreement will be reached. As always, our dedicated team at Roffman Miller is here to help if you have any questions or if you'd like to review your goals, investments or financial plan.

Bob Hofmann, President

2018 TRADE DEFICIT



It is helpful for insurance purposes.

Inventorying Your Possessions

Provided by Lori Hartman

It's great to have insurance against damage and loss, but if you can't show proof of your possessions, it may result in a protracted settlement process with your insurance company.[1]

Four Tips for Creating an Inventory. Creating an inventory may take a bit of upfront work, but it can pay future benefits in smoothing the claims settlement process with your insurer as well as increase the potential of receiving the maximum payment possible.

Tip #1 – Make a Video of Your Possessions. A visual record of your possessions is the best proof of ownership. When videoing your home contents, make sure you are methodical and thorough in going through all your rooms and storage spaces. Speak while you are taping to describe each item; include any relevant information (e.g., "this is a signed first edition of "Moby Dick.").

Tip #2 – Document Value of Your Items. Scan or video receipts of the items in your home. Indicate the make and model where appropriate. If you have artwork or antiques, consider creating a record of any appraisal you may have received on your collectibles.

Tip #3 – Secure Your Inventory. An inventory doesn't help much if you keep it in the house and your home burns to the ground. If your video is digital (highly recommended), consider storing the file in a "cloud" account rather than on your computer, or alternately, on a USB stick stored in a safety deposit box.

Tip #4 – Keep Your Inventory Updated. Failure to regularly update your inventory may mean unintentionally leaving off expensive new purchases.

Get started by contacting us for an inventory checklist, which may help you remember to include items that you might otherwise overlook.

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Citations.

1 - thebalance.com/making-a-home-inventory-list-for-insurance-4166000 [3/3/19]

Determining the best age to begin receiving benefits.

When to Begin Taking Social Security Retirement Benefits

Your Social Security retirement benefits are a key component of your financial plan. Determining the best age to begin receiving these benefits is highly personal. There is no single best age that works for everyone but you'll want to make an informed decision and find the best starting age for you and your family based on your unique set of circumstances.

It's important to know your full retirement age (FRA). FRA is the age at which a person becomes entitled to full or unreduced benefits.

Benefits are reduced if you choose to receive benefits before your full retirement age. By starting benefits at age 62, your monthly benefit is reduced between 25% (if your FRA is 66) and 30% (if your FRA is 67).

Year of Birth	Full Retirement Age
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

How much are your retirement benefits increased by delaying up to age 70? You may have heard that you receive an 8% increase for each year you delay between FRA and age 70. This is true but it's not a compounded increase. Each year you delay, your benefit will increase by the same dollar amount. The table below details the difference. For example, by delaying from age 69 to age 70 your benefit will increase 6.45%.

ASSUMING FRA OF 66				
Age	**Benefits Received**			**Age**
66	100%	Simple Increase	Annualized Increase	66
67	108%	8%	8%	67
68	116%	8%	7.40%	68
69	124%	8%	6.90%	69
70	132%	8%	6.45%	70

Ultimately your choice is whether it's better to take a smaller payment for more years or a larger payment for fewer years. There are many factors to consider. How's your health? Does your family have a history of longevity? Are you still working? If you're still working it probably doesn't make sense to begin collecting Social Security before your FRA. Depending on your income, the benefits received before FRA may be reduced (although this is made up with larger payments after FRA). Are you married? If you're the higher earner, delaying benefits will ensure a larger payment for the surviving spouse. When one spouse dies the surviving spouse receives the larger of the couple's Social Security benefits. An often overlooked reason to delay past 62 has to do with how your benefit is calculated. Social Security uses your 35 highest earning years to calculate your average annual earnings. Perhaps you had low earning years early in your career or took time off to raise kids or had been laid off at one point. You may want to replace any $0 income or low income years to increase your 35 year average income thereby increasing your benefit. Finally, you'll want to consider your other resources. If you delay collecting Social Security will you need to take distributions from your retirement accounts?

If you're considering starting Social Security, let us help you with the decision making process. We'll take an in-depth look at your situation, run reports to see how much you may collect from Social Security under various scenarios and talk you through the pros and cons of each to help you find the best age to begin receiving benefits for you and your family.

Kevin Cooke, Investment Manager

How to remove a Power of Attorney

A Power of Attorney (POA) is added to an account when the owner signs a document which indicates the capacity in which a person can act on the account owner's behalf. Charles Schwab typically provides the POA document. The POA can have transactional power (Limited POA) or the power to withdrawal funds from an account (Full POA).

A power of attorney expires at the death or incapacitation of the account owner, whichever comes first.

A Durable Power of Attorney (DPOA) remains in effect even if the account owner is incapacitated by illness or disability (but still expires at death).

What are the available options to remove a POA?

- Written Letter of Authorization from the account owner
- The Power of Attorney can write a Letter of Authorization to remove him or herself
- Written Letter of Authorization from a Doctor, indicating the POA or the account owner is incapacitated
- Death certificate of the POA or account owner

What if the Power of Attorney was established through a Durable Power of Attorney document – how can the DPOA be removed?

- Written Letter of Authorization from the account owner
- Notarized Letter of Authorization from the Durable Power of Attorney (DPOA) requesting removal from the account
- Written Letter of Authorization from a Doctor which indicates that the DPOA is incapacitated
- Death Certificate for the DPOA or account owner

If you have a question about removing a POA, please contact your investment manager.

Gerard Guertin, Investment Manager

Quicken Loans partners with Schwab Bank

Purchasing a home? Refinancing a Mortgage?

If you are in the market for a new home or just looking to refinance an existing mortgage, Charles Schwab may have the solution for you. Quicken Loans partners with Schwab Bank to provide lending to Schwab clients. Schwab and Quicken Loans provide dedicated support plus on-line tools to upload documents and monitor the loan progress.

Schwab Bank is offering a reduced interest rate based on the value of qualifying non-retirement account balances at Schwab and Schwab Bank. The table below provides the current discounts:

INVESTOR ADVANTAGE PRICING (IAP)

ELIGIBLE NON-RETIREMENT SCHWAB QUALIFYING ASSETS	INTEREST RATE DISCOUNT FOR PURCHASE	INTEREST RATE DISCOUNT FOR REFINANCE
$0 to $249,999	Not Available	Not Available
$250,000 to $999,999	0.25%	0.25%
$1,000,000 to $4,999,999	0.50%	0.50%
$5,000,000 plus	0.75%	0.75%

Note: Qualifying Loans eligible for discount: All Adjustable-Rate Mortgages (ARMS) Jumbo 15 Year Fixed-Rate Mortgages. **Discounts do not apply to Home Equity Lines of Credit. Please contact your investment manager with any questions or if you would like to schedule a review of your borrowing options.

H.B. 262

A Change to Pennsylvania's Inheritance Tax

On June 28th, Governor Wolf signed H.B. 262 into law eliminating inheritance tax on transfers from parents to minors that are 21 or younger. Tax reduction from your politicians! Who knew? Actually, the bill was part of a package of tax reforms, including sales and use taxes on online sales, taxes on small breweries, taxes on volunteer fire departments, and on the agricultural industry.

Pennsylvania inheritance tax is imposed as a percentage of the value of a decedent's estate transferred to beneficiaries by will, heirs by intestacy and transferees by operation of law. The tax rate varies depending on the relationship of the heir to the decedent. The bill left the rest of the tax rates in place:

- 0 percent on transfers to a surviving spouse
- 4.5 percent on transfers to direct descendants and lineal heirs
- 12 percent on transfers to siblings
- 15 percent on transfers to other heirs except charitable organizations, exempt institutions and government entities exempt from tax
- Property owned jointly between spouses is exempt from inheritance tax

Inheritance tax payments are due upon the death of the decedent and become delinquent nine months after the individual's death. If inheritance tax is paid within three months of the decedent's death, a 5 percent discount is allowed

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