Volume 2, Issue 1

THE LYFE ADVISOR

January 2019

Leading
Your
Financial
Education

THERE IS NO TIME TO WASTE

HOW TO SAVE YOUR RETIREMENT FROM A STOCK MARKET CRASH

By Thomas Shultz

To end 2018, our phones have been ringing off the hook. With the markets back to 2008 volatility, investors have been in panic mode trying to figure out what to do.

Close to the end of December, we received a call from a 62-year-old gentleman, a neighbor of one of our clients. After a quick introduction he asked, "I've heard from my neighbor that you work in the stock market. I wanted to discuss my investments. Can you please help?"

"Sure," I said, sensing that he wanted to discuss his stock portfolio with me. But he started talking about his upcoming retirement - planned for 2019 - and about a plot of land sitting in his hometown waiting to build his retirement home next year.

He said he had been saving and investing as much money as he could for his retirement and for building this home. He had almost 90% of his money invested in stocks and equity funds. The stock market's recent volatility - and especially in the banking and finance space, where the gentlemen is invested heavily - has made him lose around 30% of his portfolio value in a span of just a few weeks.

Now, this discussion is not about banking and finance stocks, how good/bad they are, and how quick/long they would take to recover. This discussion is about lessons from how this gentlemen's retirement seems to have gotten compromised at least for another few years, thanks to the decline in his stock portfolio less than a year from his retirement, and how you may avoid a similar fate when you stare your own retirement in the face.

Cont. next page

January Is The Time For A Fresh Start!

Inside This Issue

The gentlemen told me how the recent dip in his portfolio brought back some painful memories, like from 2008, when he had seen his retirement portfolio lose around 50% of its value. At the time, while he was more than a decade away from retiring, the decline in portfolio value was still a significant portion of his total family savings.

He now worries it will be harder to recover another big loss so close to retirement. "It's impossible to try and time the market," he told me. "To sit there and watch your investments fall apart is hard, but if you take it out and it goes up, that's not good either. It's hard!"

As a financial advisor, when people ask me how much money they should invest in stocks versus other avenues like bonds and fixed investments, etc., my response is consistent - "It depends on when you need the money."

My general rule of thumb is that any money that you need in less than three years (maybe five years, if you're a little riskier) must be protected as far as the core capital is concerned. You are not seeking growth here but safety. And thus, this kind of money may be kept in liquid funds, fixed investments, and some part cash. Don't invest this money in the stock market, because if the tide turns for the worse during this period (like it had done for this gentlemen), your financial life and retirement may get compromised.

Any money you need between the third and fifth year from now may be invested in stocks/MFs versus bonds/cd's/annuities in a ratio of 50:50 (again, choose your own ratio based on your comfort levels).

This leaves us with money that is needed beyond the next five years. This may be invested fully in equities. History has proven that equity returns improve with an increase in holding periods. So, the probability is on your side when you invest your long-term money (needed beyond five years) in equities.

You may also divide this long-term money into two separate buckets. The first bucket could be the money you need between the fifth and tenth years of your retirement, say between 70 and 75 years of age (assuming you will retire at 65). This money could be invested in high-quality, well-diversified mutual funds or high-quality, stable businesses that provide not just the possibility of some growth but, more importantly, capital preservation.

As for the second bucket of your long-term money, which you will require beyond ten years from retirement, you can be more aggressive and invest that part in high-quality mid- and small-cap stocks and/or funds. Here, the risks you take will be higher than the first bucket, but the probability of growth is higher too. Just ensure that you don't buy businesses that may lose you capital permanently here too. This is a non-negotiable, even when you extend your investment horizon.

The idea of such allocation across buckets is that the more time you have before you need the money, the more aggressive your investment strategy.

Cont. next page

You may probably live another fifteen to twenty years or more after you retire, leaving you more than enough time to ride out not one, but multiple stock market crashes. So why not take advantage of the potential time on hand?

However, that's not a mandatory thing. As Warren Buffett has said, "It's insane to risk what you have for something you don't need."

Let's move ahead from the allocation part to a bit about cash flows.

Having enough cash on hand to avoid withdrawing funds during severe market declines can be reassuring to people in or close to retirement. That means if you are three years away from retirement, a good rule of thumb will be to keep one year of expenses out of the market and then increase that for every year closer to retirement you get.

So, by the time you retire, you will have three years of expenses as cash in hand. Combining this with the allocation part mentioned above, keep this cash safe in liquid funds, fixed annuities and some part cash.

If you've still got more than a decade to go before you retire, you can follow the above-mentioned rules, both in terms of allocation and cash flows. You can be more aggressive in terms of allocation to (high-quality) equities, as doing so would likely increase the long-term growth potential of your savings - which could increase your chances of achieving a secure retirement even more.

Also, save more, especially if you've been delaying it and effectively relying on market gains to compensate for your savings deficit in recent years. Markets have no obligations to carry your shortfall. When you save more, you create for yourself a buffer to deal with big declines in the stock market and your portfolio value and raise the chances of success back to where it was before the market setback.

The bottom line is this: You can't predict when a bull market will stumble or know for certain how severe the ensuing bear market will be. No one can. But giving your retirement planning a stress test before the market slumps and thinking rationally about how to react will put you in a much better position to weather any crisis than making decisions on the fly while you're under duress.

Here at Lyfe Advisors, we put together comprehensive financial plans for folks every single day. Even if you are currently working with an advisor, a 2nd opinion in this type of market on your portfolio is paramount.

IS IT TIME FOR A 2ND OPINION ON YOUR PORTFOLIO'S HEALTH?

GIVE US A CALL AT
(480) 626-0296

Volume 2, Issue 1

THE LYFE ADVISOR

January 2019

MEET THE TEAM

Thomas Shultz
Managing Partner
Registered Principal

Lillian McCord
Operations & Marketing Director

Dustin Graham
Associate Managing Partner

Rita Henderson
Customer Support Specialist

Salwa Hermansen
Insurance Advisor

Tyrone Armstrong
Insurance Advisor

Lenny Trujillo
Insurance Advisor
Trust & Estate Specialist

Charles Sandoval
Insurance Advisor

Michelle Bonitto
Insurance Advisor

Jennifer Uzarski
Insurance Advisor

Luis Blanco
Insurance Advisor

Marta Prigmore
Insurance Advisor

Volume 2, Issue 1

THE LYFE ADVISOR

January 2019

Van L. referred by Tracey N.
Edward & Karen B. referred by Carol W.
Roger R. referred by Jane J.
Romero T. referred by Beatrice S.
Juan P. referred by Rosa L.
Laura M. referred by Donna P.
Rick & Norma D. referred by Wanda L.
Carlos S. referred by William H.
Thomas W. referred by Marissa T.
Joan & Andrew S. referred by Katy W.

Katherine R. referred by Deidra T.
Ivonne V. referred by Roger T.
Peter T. referred by Martha S.
Edward & Lilli E. referred by Felix D.
Kim G. referred by Laura C.
Janice T. referred by Edward T.
Laurence J. referred by Timothy P.
Nancy P. referred by Sebastian T.
Pamela & Ed P. referred by Maria T.
Joseph T. referred by Martha R.

We appreciate your referrals!

Your referrals are gifts to whomever you refer. By making a referral, you are giving them a chance to make a difference in their financial future. Thank you for helping spread the LYFE Advisors' message.

Volume 2, Issue 1 THE LYFE ADVISOR January 2019

THE CONSERVATIVE APPROACH

IT'S TIME TO TIDY UP AND TAKE "STOCK" OF YOUR INVESTMENTS AND RETIREMENT GOALS IN 2019

Welcome to 2019!

An entirely new investing year with an entirely different investing environment than the previous. 2018 began with fresh optimism and calls for new all-time highs. However, the sentiment for 2019, isn't quite as cheerful. Afterall, the government is currently closed!

Over the past few weeks, I've read lots of articles recapping the events from 2018 and others providing their best attempts at the outlook for 2019. With annual statements being generated now and reviews to be scheduled soon, I think it's imperative to get back to the basics and be a little reflective.

"You can't really know where you are going until you know where you have been." – Maya Angelou

The New Year promises us all a fresh opportunity to have the best year ever. To start 2019 the proper way, here's my checklist of best practices to help you adjust your investing sails.

Complete a full-scale, detailed inventory of your investable assets.

Know which investments are equities – large cap, small cap, international, mutual funds, or other. Which of these are paying pure dividends? What kind of bond exposure do you have – long term, short term, high yield (aka junk), government?

1. **Examine how the end of 2018 affected your portfolio.** This is a really good way to see how volatility can affect your bottom line. Stack up your last 2 quarterly statements, (end of Sep and end of Dec.) and see which investments shook heavily and which one stayed strong.
2. **Build a healthier cash position.** Sit on the sidelines for a while with a larger portion of your portfolio, for longer than just 30 days. This strategic move can help protect your gains and position your portfolio for the next opportunity. We have fantastic shorter-term, fixed income options that can keep your idle cash earning.
3. **Examine all of your income sources.** Understand the impact of losing an income (retiring), or starting an income stream (pension, annuity) has on your lifestyle and your ENTIRE financial portfolio. That means not just the assets but also the liabilities.
4. **Examine your monthly/annual spending.** Most people have no idea where all the money they make goes. Discretionary spending is easy nowadays … just a mouse click or a credit card swipe. Categorize this spending into household goods, food and drinks, entertainment, medical, fuel, etc. To know where you're going, you need to first know where you've been. This is your lifestyle and most people don't want to change their lifestyle.

Cont. next page

5. **List your goals and bucket list items.** Know how much it will cost you to *actually enjoy* your money and retirement. Doing this with confidence can be achieved with the right mix of investments and income structure.

This is a great exercise that will help you determine your financial and retirement health. If this list is too demanding, and you really want to understand where you sit financially (you really DO want this), **CALL US.** We'll do all this with you and take you through the results!

Now, onto the 2019 forecasts.

It is far more likely than not, the 2019 US stock market will be troubled and lackluster at very best. There are very strong possibilities of consistent turbulence and volatility; many risks exist that can set the market off – trade tensions, the Federal Reserve, slowing corporate growth, world economies slowing, European Union/Brexit issues, US political issues (split congress again and Federal deficit racking up), rising interest rates, and you always have to account for the "wild card". Any one of these could become the straw to break the camel's back.

If you're on final approach to retirement, here's what this means for you. ***You must clearly understand, clearly see, and clearly feel the benefits of investing in stocks right now.*** You're at a critical juncture in your financial life, even Medicare considers it a *life event*! As you get closer to retirement, the "applied risk factor" to your investments increases quickly when the stock market turns volatile. 401k's and investment portfolios we have recently analyzed have lost 10% or more since September. Which, put in the context of retirement, could mean 2 or more full years of income. And, with how cash flows and the time value of money calculations work, right now is the worst time to experience losses if you're planning to retire in the next few years.

One of the sure-fire ways to transition into retirement best is with investments that "Do Their Job." If you have a concern for outliving your money, invest in an annuity to prevent that from happening. If you're concerned about supplementing your retirement income, find investments that pay dividends and take them as cash. If you're concerned about growing your money, then you need to invest in assets that produce dividends and reinvest them.

Finally, the best tip to head into 2019 with – is to get a good working relationship with an advisor dedicated to your retirement. Our firm helps hard working people realize their retirement goal every week. We are excited about 2019 and accepting new clients. If you haven't already, make a New Year's Resolution for retiring with financial peace. The best way to start is by calling our office. We'd love to hear from you.

Yours in Financial Wellness,

Dustin Graham, CRPC

Volume 2, Issue 1

THE LYFE ADVISOR

January 2019

RITA'S CORNER

I'm Rita and welcome to my corner. I've lived in Arizona for eight years. My husband and I love to explore different restaurants and have found many magnificent places all over the valley. In this section, I would like to take you on a journey exploring the many diverse adventures that I have come to enjoy!

Rawhide Western Town & Event Center (Chandler, AZ)

One of my family's favorite places in Arizona is the Rawhide Western Town off of I-10 in Chandler, Arizona. It is an authentic replica of an 1880's town complete with a Main Street,

gunfights, stagecoach and train rides, mechanical bull, climbing wall, gold panning, shooting gallery, unique shops and an excellent Steakhouse and Saloon. The Rawhide Steakhouse menu traditional Western cooking and true hungry-cowboy portions dinner is served to live country music with an open invitation to get up and take a spin on the dance floor. Entry into the town is free unless there is a special event going on.

I have been there with guests who were visiting from my home state just for a day of fun and food. But I have also visited there for special events such as Rawhide's "Snowy Christmas" which begins the weekend before Thanksgiving and is only open for the weekends prior to Christmas. During this time the town opens at 5pm with the Arizona Rough Rider cowboy stunt gunfight shows. Santa lights the Christmas tree around 6pm with story time followed by a snowfall on Main street. This year the kids could help Santa paint his sleigh as well as decorate a gingerbread cookie. This year a dancing light show was added at the East end of town. Also the kids can write a letter to Santa and have their picture made with him. The shops along Main Street are filled with wonderful, unusual gifts for those special stocking stuffers. The Steakhouse is only open for two holiday meals during this time right before Thanksgiving and Christmas with a Holiday Buffett by reservation only. The menu is great with roasted lobster tails, prime rib, game hens and top sirloin medallions. This doesn't even cover the extensive sides, salads and desserts. Be sure and make this a family event next Christmas.

Rawhide also has other special family events throughout the year. This year on April 21 will be their Easter Egg-Stravaganza and Buffet. This buffet is again by reservation only which includes the Easter egg hunt with over 15,000 eggs and other activities for the children. On May 12 they will have their Mother's Day Buffet with the town open. We are lucky to live in an area that has so many wonderful activities and experiences for our families, young and old.

Sincerely,

Rita Henderson

Volume 2, Issue 1 THE LYFE ADVISOR January 2019

Health Care Hacker

Hack #7

HOW TO MESS UP YOUR MEDICARE!

4 Post-Enrollment Medicare Mistakes To Avoid

Denied claims or unexpected bills can ruin your day when you are new to Medicare. You've finally got your Medicare all set up and you breathe a sigh of relief. Then whammo! – a slew of claims denials flood your mailbox. Post-enrollment Medicare mistakes sometimes happen, and in this post, we're going to show you how to avoid them. First, let's look at an example: A long-time client of ours sent us an email about $1500 in unexpected charges. He had changed drug plans during the Annual Election Period to a new plan we found that would save him about $500 annually next year on his prescription drugs. (He did not change his Medigap plan.)

Even though the annual election period does not affect Medigap plans, it's not unusual for all the annual Part D plan changes to confuse people. Somehow, he started using his new Part D drug plan card when attempting to purchase replacement parts for his CPAP machine. All the bills were denied of course because Part D doesn't cover durable medical equipment. That falls under Part B and would have been covered entirely by Medicare and his supplement if he had presented the right insurance card.

Fortunately, he knew to call us when he received a denial and an unexpected bill. Our team quickly stepped in to help him straighten it out and get the bills to the right place. But these are the kinds of things that constantly happen to Medicare beneficiaries. Many who don't have an insurance agent on their policies are left to fix these Medicare mistakes on their own. Here's a few of the most common Medicare mistakes we've seen over the years so that you can avoid them.

1. Failing to Pay Your Part B premiums

Many people today work well past age 65, and most of these people delay their Social Security income benefits because they still have working income. Since Medicare can't deduct your Part B premiums form your Social Security check in that situation, they send a quarterly invoice to you instead.

With the mountain of mail that Medicare beneficiaries get every day from insurance companies, it can be very easy to overlook a bill from Social Security. Unfortunately, the result is catastrophic.

When Social Security revokes your Part B for non-payment, they notify your Medigap carrier, who promptly cancels your Medigap plan. Now you are left with no coverage for outpatient services, which includes doctor visits, lab-work, medical equipment, surgeries, chemotherapy, dialysis and many other expensive services.

What's worse is that you then must wait until the next General Enrollment Period (GEP) to enroll. The GEP runs from January 1st – March 31st each year. Though you can enroll during this period, your coverage won't start until the following July.

Let's think about this. If you failed to pay your bill in April, you would wait 8 months to reapply in January. Then that new Part B coverage wouldn't start for yet another 7 months. That would be 15 months without coverage for anything except your Part A hospital related services.

Cont. next page

A serious illness or injury during this uncovered time could result in thousands of dollars of unpaid medical expenses. We want to avoid that at all costs.

Our Best Tip: If you are enrolled in Part B before you begin taking Social Security, contact them and ask them to set up bank draft for you. This is the easiest way to make sure you don't overlook paying your Part B and causing yourself a world of hurt.

2. Not Notifying Medicare That You've Left Employer Coverage

A quick call to Medicare to confirm your primary coverage can prevent denials and hassles. In a perfect world, your former employer would accurately notify Medicare that you are no longer working there. Then Medicare would know that it is now your primary insurance, and it would begin to pay as primary. This works like it should about 95% of the time. However, every year there are a handful of situations where the employer fails to properly notify Medicare that you have left your job. Your doctor bills Medicare based on you presenting your Medicare card at the time of service. Medicare will promptly deny all those claims because they believe the bills should have gone to your employer insurance first. On occasion, we've even seen instances where the next year the employer again notifies Medicare that they are still covering you. This results in a whole new round of denied claims.

Our Best Tip: Make a simple quick phone call to Medicare at 1-800-MEDICARE after you've left your employer to verify that they now show Medicare as your primary insurance. It takes just a few minutes and is well worth it if you catch an error about to happen.

3. Presenting your Provider with the Wrong ID Card

This one has several versions of easy Medicare mistakes. If you have chosen Medicare as your primary coverage, then you will present your Original Medicare card (and Medigap card) to your provider at the time of service. If you enrolled in a Medicare Advantage plan though, that plan pays instead of Medicare. People don't realize this, and they give their doctor their Medicare card by mistake. What does Medicare do? Deny all the claims because those bills should have gone to your Medicare Advantage Company.

We've also seen this one where a Medicare beneficiary is rushed to the hospital. His or her spouse digs through their wallet and pulls out the Medicare card for the hospital. The hospital sends all the bills to Medicare

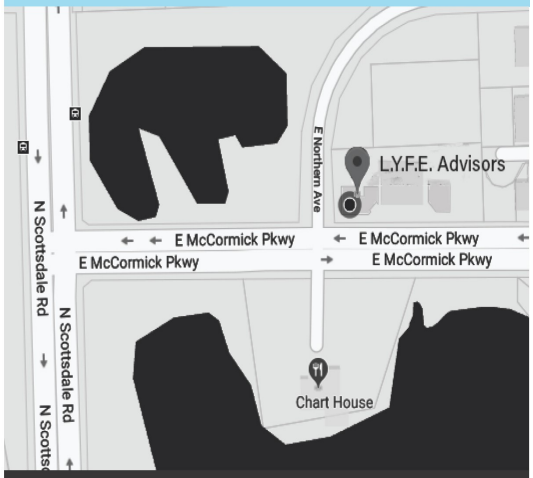
Cont. next page

Map to our NEW Scottsdale Office

7400 East McCormick Parkway, Suite A-100, Scottsdale, AZ 85258

Enter from E Northern Ave

(480) 626-0296



We're across from Chart House on East McComick Parkway. First building on E Northern Ave.

because they assume the spouse is presenting the correct coverage. It's particularly awful because treatment in the hospital can be billed from a variety of places – radiology, anesthesiology, physical therapy, the hospital itself. Each of those bills then must be corrected separately which can take you several hours by phone to straighten out.

The second version of "id card mistakes" that we see happen often is that beneficiaries will present their Medicare card for drug-related expenses, or vice versa, their Part D card for non-drug related expenses. This is what happened to our client that we mentioned in the first paragraph of this post. Think of your Part D drug plan as a pharmacy card. You only use it at the pharmacy. So, unless you are picking up a retail prescription, you generally won't be presenting your Part D card for payment.

So, what should you do about things like test strips for diabetes or replacement parts for insulin pumps or CPAP machines? These fall under Part B. You will present your Medicare card if you have Original Medicare, or if you are enrolled instead in an Advantage plan, you'll present your Advantage plan ID card.

Our Best Tip: If enrolled in Medicare Advantage, put your red, white and blue Medicare card away in a safe place. You will not be using it unless you later decide to drop your Medicare Advantage plan. Give your providers only your Advantage card. Your Part D plan will usually have the word RX somewhere on the card. This is the one you should present at the pharmacy when purchasing prescriptions.

4. Paying your Part B Deductible to Your Provider Before Medicare has Processed the Claim

Medicare Part B has a deductible of $185 in 2019. This goes up a little bit in most years. There are several popular Medigap plans, such as Plan G and Plan N where you agree to pay the annual Part B deductible. **DO NOT** pay this to your provider at the time of treatment, even if he asks for it. The proper procedure is for your doctor to see you first, then send the bill to Medicare. Medicare will pay all but the deductible to your provider. Your provider will then bill you for the $185 due. The doctor does not need to collect the deductible from you at the time of service. Here's why:

It's very common for people to have lab-work on the same day of their doctor appointment, or sometimes a few days before that appointment. When Medicare receives the bills from your lab facility and your doctor's office, it will apply the deductible to the first one processed. So, Medicare might pay 100% of your doctor's office bill, and apply the deductible to the bill from the lab facility. Now the lab facility will bill you for $185.

Your doctor's office on the other hand will not only have your $185, but it will also get paid by Medicare. Doctor's offices do not like to give money back to you. They often will want proof that you've paid this deductible elsewhere. This can be even worse if your first outpatient service of the year happens as part of a hospital stay. You will have no idea which provider will be the first bill that Medicare processes. Therefore, do not pay the deductible until after Medicare has processed the claim.

Our Best Tip: Tell your doctor you are aware a deductible is owed, and they can bill you for it. Then when Medicare has paid the claim and sent you its notice, you can pay the doctor what he is owed. I promise this will help you avoid a monster headache.

While Medicare mistakes happen, the tips in this post should help you to avoid the most common problems. Since even the most prepared person might encounter hiccups, it's in your best interest to work with an insurance agent **(LIKE US!)** who knows what they are doing when it comes to Medicare.

Volume 2, Issue 1

THE LYFE ADVISOR

January 2019

Sudoku

5			8					
7	3	8						
		2	4	6		7	3	8
			6		2		5	
				7	3			
					8	4		2
	5					8		
2			3		6	5	7	9
8		9	2			1		

December Sudoku Solution

6	1	7	5	4	3	2	9	8
9	2	3	8	1	7	5	4	6
4	8	5	2	9	6	7	3	1
2	7	1	3	8	5	4	6	9
5	9	6	1	2	4	8	7	3
8	3	4	6	7	9	1	5	2
1	5	9	4	3	8	6	2	7
3	6	2	7	5	1	9	8	4
7	4	8	9	6	2	3	1	5

January Quiz

Question 1:
Which political title gives its name to a variety of courgette?
a. President
b. Chancellor
c. Ambassador

Question 2:
Which Spanish city is also the name of a well known type of orange?
a. Seville
b. Barcelona
c. Madrid

Question 3:
Which type of fruit grows in bunches known as hands?
a. Grapes
b. Hops
c. Bananas

Answers for December

Question 1: Which author wrote the book, “A Christmas Carol”?
a. **Charles Dickens**

Question 2: According to the song, what did my true love give to me on the 7th day of Christmas?
a. **Swans A Swimming**

Question 3: Which Christmas character was invented by American writer Robert L. May in 1939?
b. **Rudolph**

Volume 2, Issue 1

THE LYFE ADVISOR

January 2019

Medicare Supplement Rates

Lowest Medicare Supplement Rates For 85258 Maricopa County

Gender	Age	Plan	Carrier	Premium*
Female	65	F	Humanadental	$123.00
Male	65	F	AARP United Healthcare	$131.78
Female	65	G	Humanadental	$96.34
Male	65	G	AARP United Healthcare	$111.57
Female	65	N	Aetna (ACI)	$83.19
Male	65	N	AARP United Healthcare	$87.23
Female	66	F	Humanadental	$129.70
Male	66	F	AARP United Healthcare	$138.58
Female	66	G	Humanadental	$101.60
Male	66	G	AARP United Healthcare	$117.34
Female	66	N	Greek Catholic Union	$84.20
Male	66	N	AARP United Healthcare	$91.76

Rates are accurate at the time of production. Included in the list are fraternal organizations, service organizations, and carriers with ratings above B+.
**Source: CSG Actuarial effective dates 01/01/19*

Interest Rates

Highest CDs and Share Rates Highest National Rates

Duration	Institution	Yield to Maturity*
1 year	First Internet	2.89%
2 year	Sallie Mae	3.11%
3 year	M.Y. Safra	3.26%
4 year	First Internet	3.30%
5 year	Northpointe	3.60%

Rates are accurate at the time of production. We include banks and federal credit unions in our national search. All have FDIC or NCUA Insurance. **Source: BankRate.com 01/01/19*

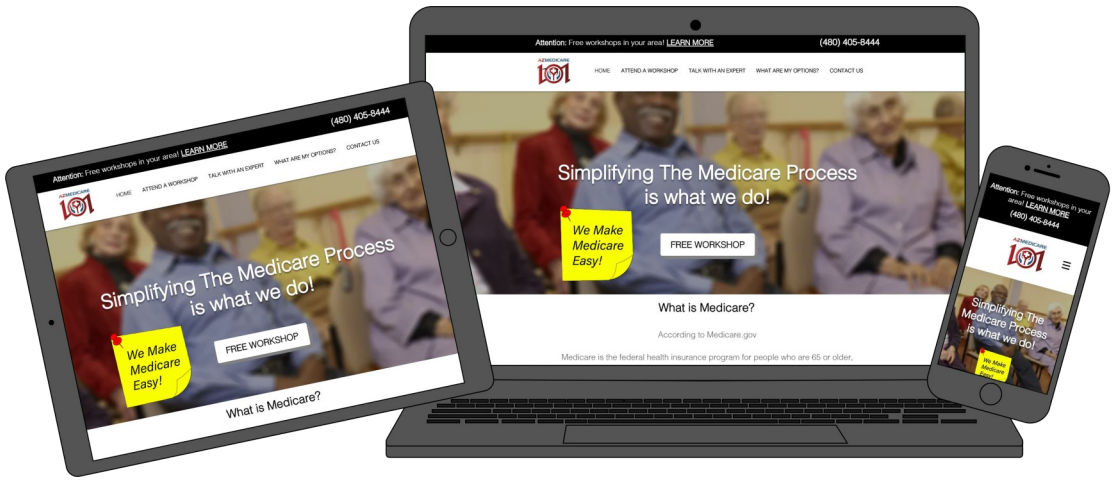
Highest Fixed Annuity Rates

Highest Arizona Rates

Duration	Institution	Yield to Maturity*
3 year	Guggenheim Life	3.20%
4 year	Guggenheim Life	3.30%
5 year	Sentinel Security Life	4.00%
7 year	Atlantic Coast Life	4.19%
10 year	Atlantic Coast Life	4.30%

Rates are accurate at the time of production. Excluded from the list are fraternal organizations, service organizations, and carriers with ratings below B **Source: AnnuityRateWatch 01/01/19*

Visit us Online at www.AZMedicare101.org



Volume 2, Issue 1

THE LYFE ADVISOR

January 2019


BROOKLYN DAILY EAGLE
And Complete Long Island News

WALL ST. IN PANIC AS STOCKS CRASH

Attempt Made to Kill Italy's Crown Prince

ASSASSIN CAUGHT IN BRUSSELS MOB; PRINCE UNHURT

Hollywood Fire Destroys Films Worth Millions

FEAR 62 PERISHED IN LAKE MICHIGAN; FERRY IS MISSING

PIECE OF PLANE LIKE DITEMAN'S IS FOUND AT SEA

High Duty Group Gave $700,000 to Coolidge Drive

STOCKS CRASH IN RUSH TO SELL; BILLIONS LOST

GARNER CHARGE OF PAID ATHLETES

HOOVER'S TRAIN HIT BY AUTO

WARDER SOUGHT

SOMERS ARRAIGN

HINDSIGHT IS 20/20

THE WARNING SIGNS INVESTORS MISSED BEFORE THE MARKET CRASH OF 1929

In the spring and summer of 1929, the U.S. economy was riding high on the decade-long winning spree called the "Roaring Twenties", but the Fed was raising interest rates to slow a booming market and an increasingly vocal minority of economists and bankers were beginning to wonder how long the party could possibly last.

In 1929, popular prognosticators like the Yale economist Irving Fisher swore that if a correction came, it would look like a harmless slump, while others predicted a jagged cliff. But nobody, absolutely nobody, could have foreseen the stock-market slaughter that happened in late October.

On two straight days, dubbed Black Monday and Black Tuesday, the stock market crashed by 25 percent and by mid-November it had lost half its value. When the market collapse finally hit rock bottom in 1932, the Dow Jones Industrial Average had withered away by a staggering 90 percent.

Hindsight is 20/20, but there were signals back in the summer of 1929 that trouble lay ahead.

What Goes Up Must Come Down….

Gary Richardson, an economics professor at the University of California Irvine and a former historian for the Federal Reserve, has researched the Fed's role in the 1929 crash and the ensuing Great Depression. He says that the first warning sign of a looming market correction was a general consensus that the blistering pace at which stock prices were rising in the late 1920s was unsustainable.

"People could see in 1928 and 1929 that if stock prices kept going up at the current rate, in a few decades they'd be astronomic," says Richardson. The question was less about whether the meteoric stock market rise was going to end, but how it would end.

The global financial industry is now highly sophisticated with some of the best minds and the most powerful computers dedicated to predicting future market movements. In 1929, the field of quantitative forecasting was in its infancy. Each leading economic forecaster devised his own stock market indexes in an attempt to capture market trends.

Economist Roger Babson was one of the most prominent prophets of doom, concluding that stock prices were wildly inflated compared to the prospect of future dividends. In September 1929, Babson told a National Business Conference in Massachusetts that "sooner or later a crash is coming which will take in the leading stocks and cause a decline from 60 to 80 points in the Dow-Jones barometer… Someday the time is coming when the market will begin to slide off, sellers will exceed buyers and paper profits will begin to disappear. Then there will immediately be a stampede to save what paper profits then exist."

Others, like the Yale economist Fisher, brushed off fears of a reversal, concluding that stock prices were on par with soaring corporate profits.

Cont. next page

In response to Babson's dark predictions, Fisher famously told a crowd of stock brokers that stock prices had reached "what looks like a permanently high plateau." That was on October 15, 1929, less than two weeks before Black Monday.

The Fed Put on the Brakes….

Richardson says that Americans displayed a uniquely bad tendency for creating boom/bust markets long before the stock market crash of 1929. It stemmed from a commercial banking system in which money tended to pool in a handful of economic centers like New York City and Chicago. When a market got hot, whether it was railroad bonds or equity stocks, these banks would loan money to brokers so that investors could buy shares at steep margins. Investors would put down 10 percent of the share price and borrow the rest, using the stock or bond itself as collateral.

Buying on margin lets investors buy more stock with less money, but it's inherently risky since the broker can issue a margin call at any time to collect on the loan. And if the share price has gone down, the investor will have to pay back the full loan balance plus some change. One of the reasons Congress created the Federal Reserve in 1914 was to stem this kind of credit-fueled market speculation.

Starting in 1928, the Fed launched a very public campaign to slow down runaway stock prices by cutting off easy credit to investors, Richardson says. It started with a technique called "moral suasion," similar to Alan Greenspan's warning in 1996 that "irrational exuberance" was artificially pushing up stock prices. Back in 1929, the message was "Stop loaning money to investors," says Richardson. "This is creating a problem."

Banks didn't get the message, so the Fed resorted to "direct action," which operated more like a direct threat. In a letter to every commercial U.S. bank under the Fed's purview, the central bank said that if you continue to lend to brokers and investors, we're going to cut off access to the Fed's discount window. No more credit for you.

But that didn't work either.

In a last-ditch effort to undercut the spike in stock prices, the Fed decided to raise interest rates in August 1929. If investors missed the first two signs that the Fed wanted to slam the breaks on the stock market, this one should have been abundantly clear.

"The Fed made a string of public announcements: 'We're doing this to slow the growth of stock prices,'" says Richardson. "Investors are very aware that the Fed is trying to bring down stock prices using all the tools at its disposal."

Cont. next page

Badly Timed Interest Rate Hike's....

Unfortunately, the timing of the interest rate hike couldn't have been worse. Little did the Fed know that the U.S. economy would reach its peak in August 1929. Tightening the credit market was supposed to shrink stock prices by maybe 10 percent, says Richardson, but definitely not 90 percent.

Today, even mainstream news outlets run stories on wonky financial terms like the inverted treasury yield curve, which is supposed to be a strong predictor of a coming recession. Back in 1929, there were fewer such indicators available to investors, but still enough to get a read on whether the economy was expanding or contracting. Monthly figures were published, for example, about leading indicators like new housing permits and manufacturing orders.

"In 1929, it was clear that there had been this big boom but that the economy was starting to cool down," says Richardson. "Just like today, there was a lot of discussion in the press about whether the economy had reached a peak or not. That all got resolved very quickly with the crash and its aftermath."

No Big Decline Has Ever Been Fully Predicted....

While newbie middle-class investors seeking easy riches absolutely fueled the 1929 stock market boom and bust, plenty of very sophisticated investors also missed the coming crash. And even those who were savvy enough to foretell a market slide couldn't have imagined the carnage to come.

"No big decline has ever been fully predicted," says Richardson. "If there was any reasonable prediction that home prices would collapse in 2008, then people would have stopped buying homes. If any reasonable person had foreseen anything like the 90-percent collapse in equity prices from 1929 to 1934, the market would have not gone up. There's lots of really smart people who bet wrong on the market all the time."

Medicare Workshops

1 Hour Presentation - Everything you need to know about Medicare. We explain how Medicare works and what you can expect before you choose!

THIS PRESENTATION HAS BEEN APPROVED BY MEDICARE

Corta Bella Community Room	Mesa Main Library	Tempe Pyle Recreation Center
Bacara Room	**Saguaro Room**	**Globe Room**
22143 N. Mission Dr.	64 E. 1st Street	655 E. Southern Ave.
Sun City West, AZ 85375	Mesa, AZ 85201	Tempe, AZ 85282
Tuesday, January 8th	**Tuesday, January 22nd**	**Tuesday, January 22nd**
9:30am to 10:30am	**1:30pm to 2:30pm**	**5:30pm to 6:30pm**

"As a fiduciary, it is our responsibility to make sure that both the Health and Wealth areas of your retirement have been planned for accordingly. You can't have a sound financial plan without addressing both and here at LyfeAdvisors we believe that it starts with Healthcare! For the last 12 years, we have been helping thousands of retirees all throughout Arizona and we'd love to help you as well." - **Thomas Shultz, Managing Partner**

6.25% DIVIDEND
For 36 Months

GIVE US A CALL
(480) 626-0296

Medicare Workshops

1 Hour Presentation - Everything you need to know about Medicare. We explain how Medicare works and what you can expect before you choose!

THIS PRESENTATION HAS BEEN APPROVED BY MEDICARE

Mesquite Library **Meeting Room** 4525 Paradise Village Pkwy. N. Phoenix, AZ 85032 **Wednesday, January 23rd** **1:30pm to 2:30pm**	**Mesa Dobson Library** **Meeting Room** 2425 S. Dobson Rd. Mesa, AZ 85202 **Wednesday, January 23rd** **5:30pm to 6:30pm**	**Fountain Hills Library** **Conference Room** 12901 N. La Montana Dr. Fountain Hills, AZ 85268 **Thursday, January 24th** **1:30pm to 2:30pm**
Mesa Red Mountain Library **Program Room** 6837, 635 N. Power Rd. Mesa, AZ 85205 **Thursday, January 24th** **5:30pm to 6:30pm**	**Glendale Main Library** **Board Room** 5959 W. Brown Street Glendale, AZ 85302 **Monday, January 28th** **1:30pm to 2:30pm**	**Glendale Foothills Library** **Eagle Room** 19055 N 57th Ave. Glendale, AZ 85308 **Monday, January 28th** **5:30pm to 6:30pm**
Mesquite Library **Meeting Room** 4525 Paradise Village Pkwy. N. Phoenix, AZ 85032 **Tuesday, January 29th** **5:30pm to 6:30pm**	**Fountain Hills Library** **Conference Room** 12901 N. La Montana Dr. Fountain Hills, AZ 85268 **Wednesday, January 30th** **5:30pm to 6:30pm**	**Peoria Sunrise Library** **Community Room** 21109 N. 98th Ave. Peoria, AZ 85382 **Thursday, January 31st** **5:30pm to 6:30pm**

Register online at
AZMedicare101.org

Or call us to reserve your FREE SEAT at
(480) 405-8444