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Back from Vacation

I am scheduled to be on CNBC's Squawk Box this Tuesday (9/16) at 6:25am discussing the Fed's meeting next week, the possible end of the bull market and much more.

Last week after President Obama's address to the nation regarding increased airstrikes against ISIS, my friends at Investment News asked me to write a blog piece on why the markets did a big yawn and did not react more negatively. You can read that piece here. <http://www.investmentnews.com/article/20140911/BLOG09/140919974/heres-why-markets-shrugged-at-obamas-message>

As the calendar turned to September, the kids are back in school; a ridiculously busy sports schedule began and all benefits of our family trip to <http://www.newseabury.com> in Cape Cod at the end of August are gone. Ever since the weather was nice enough to wear shorts, the family started looking forward to the Cape. In fact, my youngest kept asking all winter how long until the Cape.

For my kids, New Seabury is absolutely perfect. We rent a cottage that overlooks the ocean and it's only a two minute walk to the beach. Our village has tiny little streets that max out at maybe 1/10th mile each where cars drive very slowly to avoid all of the walkers and kids on bikes. A

five minute walk and you are at the <http://popponesetmarketplace.com/> full of little shops, restaurants, mini golf and junk food. Each day, the kids rode over to the Marketplace several times with old and new friends and most importantly, no parents.

While Teri and I used to plan lots of activities and day trips with the kids, as they have gotten older, they would rather just hang out, play and hit the beach without any defined schedule. What could be better for us! Eat, drink, beach, relax. Rinse and repeat! To the satisfaction of the kids, I did curtail work to a few hours in the morning, one in the afternoon and a little at night.

We did visit our favorite eatery in Falmouth, The Clam Shack, as well as spend a few evenings at the Mashpee Commons. Teri's extended family was just down the road so we had plenty of opportunities to spend some quality time with them, especially her cousins who traveled by plane this year. It was such a great vacation with perfect weather to boot. I only wish it lasted longer, but I guess ski season is just around the corner. (I know most of you are booing that comment.)



Finally, there was a 60 Minutes piece a few weeks ago that so captivated me on a groundbreaking study of aging. It pretty much calls into question some of the commonly held beliefs regarding brain deterioration and is definitely worth the 15 minutes to watch.

<http://www.cbsnews.com/videos/over-a-barrel-90/>

Don't forget to check our blog for intra-issue updates www.investfortomorrowblog.com

Bull Market Still Old & Wrinkly, But Alive

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Last month I spent some time with the good folks at Yahoo Finance creating three very different segments on the bull market in stocks, the U.S. dollar and the Fed. Today, I am going to use those three topics for addition commentary.

In my first segment we discussed the bull market in stocks. [Hated Bull Market](#) For what now seems like an eternity, I have long been forecasting that until the masses accept and adopt the bull market, it will continue. Put another way, as long as so many people hate and disavow the market, it will not go down like we saw in 2008 and 2000-2002. The masses are usually wrong, but especially at extremes.

Every now and then I share comments I get at social events. For the past few years, almost every comment from a non client has been something like, "How can the market be at 17,000? I think it should be X thousand points lower." Or,

my favorite comments which I get all the time. "This is all smoke and mirrors and manipulated by the Fed." If that's true, so what?!?! Real money has and is being made. Does it really matter how?

Every bull market has some accelerant that conspiracy theorists jump all over. It used to be that the Fed only cut rates to save XYZ Wall Street firm. That's funny. Then we used to hear that Plunge Protection Team (PPT) was rescuing the markets every time we saw a 10% correction. The PPT stemmed from the crash of 1987 when President Reagan created the Working Group on Capital Markets to help understand what caused the crash and how to avoid one in the future. How did the PPT do during the 50% decline from 2000-2002 or 2007-2009? Where were the conspiracy theorists then?

Anyway, the bull market remains old and wrinkly, but not dead. It may be 66 months old, but age alone doesn't kill the goose laying the golden eggs. Stocks look like they are in the final quarter of the bull market and that stage can last another four months to two years if history is any guide. I often publish my Canaries in the Coal Mine articles that deal specifically with the end of the bull market so keep an eye on those for clues. At last count, I had concerns over the banking sector, Russell 2000 small caps and lagging high yield bond sector.

How will your portfolio perform during the next bear market? Give me a call or send me an email to discuss.

## **Fed Still Getting it Wrong**

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The Federal Reserve Open Market Committee, better known as the Fed, will meet next week for two days to wrap up the tapering of its money printing program and offer guidance on economic growth. Last month, I offered some very controversial comments on the taper in [Taper is Wrong](#). None of these comments should surprise you as I have been discussing the same thing for over a year.

Once the taper ends, the likelihood is that Yellen & Co. will begin to signal a rate hike in Q2 or Q3 of next year in 1/4% increments. It seems probable that short-term rates will go straight to at least 1% before the Fed stalls and takes a wait and see approach. While I don't believe raising rates to 1% will immediately dismantle the economic "recovery" or send the stock market into a tailspin, I also do not believe that it is good for the economy or the markets long-term.

Inflation is almost completely non-existent and money velocity, the rate at which \$1 is turned over and over in the system, has been trending down since 1998. The economy certainly is not overheating or even close. Rather, it is struggling along as I have been discussing for years.

This is your very typical, post financial crisis recovery that never reaches

"escape velocity" until we get to the other side of the next recession. It's frustrating and disconcerting but very normal as the financial system deleverages from 30 years of borrowing. In very general terms, the unwinding of debt takes a third of the time as the borrowing binge; in this case, 10 years.

Because of this I continue to believe that the Fed is on the wrong course by reducing the amount of money printing and then raising rates. There will be plenty of time for inflation to percolate and pop up, but that time is over the horizon, not now. For some or many the recovery from the Great Recession hasn't even begun and now the Fed is effectively applying a little break. That's not something to disappearing middle class can afford.

Social Security Strategies

***Note:** From time to time, I invite various guests to write an article on their particular area of expertise. This week, my friend Ron Milone contributes a piece on a very popular topic and one that I expect to write a lot more about in coming years.*

For most Americans approaching retirement, Social Security will be a significant source of income. The decisions that are made will have a lasting effect for the remainder of your life, and possibly your spouse, if you are married.

When to File for Benefits

When it comes to filing for Social Security benefits, wouldn't it be wonderful if we knew for certain the day of our demise:

- Living to age 71? You'd likely begin taking your reduced benefit at age 62.
- Living to age 94? It's probably best to defer benefits until age 70 and receive your highest possible monthly amount.

The reality is we don't have a clue when it comes to our individual life expectancy and, therefore, we need to make decisions after carefully considering all available information and options.

There are, of course, other factors besides life expectancy that should be considered in your decision. Your need for income, your current health, family medical history, and how long you plan on working all play important roles in this process.

The biggest mistake I see with clients is electing to take their Social Security benefits before their Full Retirement Age (FRA), currently age 66 for those born between 1943 and 1954. Their general sentiment is that they've paid into the system for the past 40 plus years and now it's time to reap the benefits. I'll

admit it's pretty tempting to "take the money and run".

The problem with collecting benefits prior to your FRA is this: your monthly benefit is permanently reduced by approximately ½% per month times the number of months from your start date to your FRA. That's a 24% reduction for someone collecting at age 62 whose FRA is age 66.

I believe there are only two circumstances when collecting benefits at age 62 might be appropriate:

- a) You are single and you are absolutely convinced you will not live past age 77 or,
- b) You are unemployable and in such financial hardship that the benefits you receive at age 62 will significantly impact your lifestyle.

For those who were disciplined during their lifetimes and have accumulated even a modest amount of retirement assets, the Social Security benefit decision becomes a little clearer. Delay the receipt of benefits past your FRA (but not past age 70), earn an annual 8% increase in benefits for those years, and in the interim live off of your other retirement assets (IRA's, pension, savings, etc.)

As an example, Jane's Social Security benefit at her FRA (age 66) is \$1,812 per month. If she delays the start of her benefits until age 70, her monthly benefit will be approximately \$2,455. If she lives to the average current female life expectancy, age 88, she will have received an additional \$59,600 in benefits.

File and Suspend

This is a strategy which allows a worker to file an application for retirement benefits but then immediately suspend benefits. There are two potential benefits of this election:

- a) The worker begins to accrue delayed retirement credits on his benefit.
- b) The worker's spouse becomes eligible to file for spousal benefits.

Social Security provides spouses (or ex-spouses, if you were married 10 years or more) with choices when it comes to benefits. A spouse can either decide to (a) receive benefits based upon his or her work history or, (b) elect the spousal benefit, generally 50% of his or her spouse's benefit.

Here's how "File and Suspend" works: Jeff and Jane, both age 66 (their FRA), are applying for benefits. Jeff's monthly benefit is \$2,600; Jane's is \$1,100. Jeff files but immediately suspends his benefit. This allows Jane to apply for the spousal benefit, 50% of Jeff's (\$1,300). Jeff, if he wishes, can also elect the spousal benefit of \$550 per month (50% of Jane's). Doing this allows both Jeff and Jane to earn delayed retirement credits on their own records. At age 70, Jeff

and Jane switch to benefits based on their earnings records, which will be approximately \$1,500 per month for Jane and \$3,500 for Jeff.

It's obvious that your Social Security decision making requires planning and a lot of number crunching. As always, consult with your financial or tax advisor for professional advice. The internet offers several good Social Security planning tools, also.

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Upcoming Appearances

CNBC's Squawk Box - September 16th at 6:25am

Second Half class at U. of Mass. Dartmouth - October 29th 9:30am - 11:30am (email me for details)

You can view most of the past segments by clicking below.

Media Appearances

<http://www.investfortomorrow.com/InMedia.asp>

Investment Quotes/Adages To Live By

"The only easy day was yesterday."

- The U.S. Marines

"When in doubt, get out!"

"If it's obvious, it's obviously wrong."

-Joe Granville

"It's ok to be wrong, but it's not ok to stay wrong."

"This time is different."

"The markets require the patience of a dozen men."

-Robert Rhea

"Luck is the residue of effort."

"The most bullish thing a market can do is go up in the face of bad news."

"The most bearish thing a market can do is go down in the face of good news."

"The market can stay irrational longer than you can stay solvent."

-John Maynard Keynes

"Government is best which governs least" - Thomas Jefferson

Inflation is the one form of taxation that can be imposed without legislation.

-Milton Friedman

"You cannot legislate the poor into freedom by legislating the wealthy out of freedom. What one person receives without working for, another person must work for without receiving. The government cannot give to anybody anything that the government does not first take from somebody else. When half of the people get the idea that they do not have to work because the other half is going to take care of them, and when the other half gets the idea that it does no good to work because somebody else is going to get what they work for, that my dear friend, is about the end of any nation. You cannot multiply wealth by dividing it." - Dr. Adrian Rogers, 1984

"Bear markets seem to be divided into three phases: the first being the abandonment of hopes upon which the final uprush of the preceding bull market was predicted; the second, the reflection of decreased earnings power and reduction of dividends, and the third representing distressed liquidation of securities which must be sold to meet living expenses. Each of these phases seems to be divided by a secondary reaction which is often erroneously assumed to be the beginning of a bull market."

- Robert Rhea

"Free enterprise is a rough and competitive game. Nobody too big to fail. Nobody too small to succeed. It is a hell of a lot better than government control." - Ronald Reagan via Dan Kennedy

"A government big enough to give you everything you want is big enough to take everything you have." - Gerald Ford via Dan Kennedy

"The problem with socialism is that, sooner or later, you run out of other people's money." - Margaret Thatcher

"Diversification alone is no longer sufficient to temper risk... You need something more to manage risk well."

- Mohamed El-Erian

Friends And Family Plan

Finally, as you know, our firm and this newsletter continues to grow mostly from your referrals. If you know anyone who is interested in securing their retirement, planning for it or just plain worried about it, please send them here. As always, thanks for thinking of us with your circle of family and friends.

Sign Up Here

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To Your Financial Success,



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