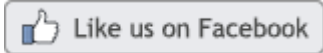




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## The Beginning of the End of Summer

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The first unofficial end to summer happened this morning as our kids officially went back to school. There were screams of joy across CT as weary and frustrated parents said good bye to their precious little ones. All three kids survived their respective new grades. One day down, 181 to go.



Last week, as the kids lamented the end of their summer, they each guilted me into a day or evening at one of their happy places. First, the boys convinced to take a quick trip to [Brownstone Park](#) which also happens to be one of my favorite places. Check out the website which does not do it just. It's an old quarry full of water with 100 to 300 foot cliffs with multiple zip lines off each one, climbing rocks, cliff jumping, water inflatables, a Tarzan swing and more.



After that, my daughter who didn't want to go to Brownstone, nagged me sufficiently enough to plan a family trip to Six Flags last Friday night. All five of us went. Trying to be a cool dad, I took my little guy on the bumper cars as I stuffed my face with kettle corn. From there, my daughter insisted on going on Superman, one the greatest and scariest roller coasters in the country. Since it doesn't spin around sideways, I knew I wouldn't get sick, just terrified. And I did. The picture below was the calm before the storm of that coaster which was also my final ride of the night. I told my daughter that 51 year old fathers shouldn't be doing this. Of course, she replied, "stop acting like an old man!"



Don't forget to check our blog for intra-issue updates. I have been very active on the blog and you can sign up to be notified whenever there is a new post made.

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

[www.Investfortomorrowblog.com](http://www.Investfortomorrowblog.com)

## Stock Market Behavior Around Other Disasters

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With Hurricane Harvey and the associated historic, catastrophic flooding the area is experiencing and the country is watching in real time, it got me thinking about how the stock market (S&P 500) and insurance stocks fared during previous disasters. I decided to leave energy out because there haven't been many hurricanes that directly impacted oil and gas. I did not include the Deepwater Horizon disaster in the gulf.

Let's start with the S&P 500 during Superstorm Sandy, Katrina, the Northridge Earthquake and Andrew. Then we can look at today for any clues as to what lies ahead. Although Ike was on an equal loss plain, I excluded it because it occurred in September 2008 during the height of the financial crisis. Price action from the crisis certainly overwhelmed any impact from Ike.

As you can see below Sandy hit when stocks were already pulling back. They rallied for a day before falling to their ultimate lows two weeks later. From there, it was straight up.



Katrina is next and it's a different story as the hurricane had two landfalls, first in Florida which people forget and then in Louisiana. Katrina was also a category 5 storm in the gulf which somewhat led to the pullback into its second landfall. The media and weather experts were consumed with how a cat 5 landfall would devastate. Thankfully, we never found out!

Stocks opened lower on Katrina day and then rallied for two weeks before rolling over again to the final low in October. Then it was up, up and away.



With earthquakes, there isn't a warning so this is a different type of catastrophe for the markets to deal with. As you can see below, the market barely skipped a beat and the impact was essentially nothing.



Finally, Andrew is below and like the other hurricanes, stocks had already been pulling back when this monster made landfall in 1992. Similar to Katrina, stocks rallied immediately for two weeks before rolling over to their ultimate lows in October before soaring again.



Finally, take a look at where we stand today. The stock market has been in pullback mode, which has been a theme of mine all month. It's not really conforming to any of the previously mentioned disasters.



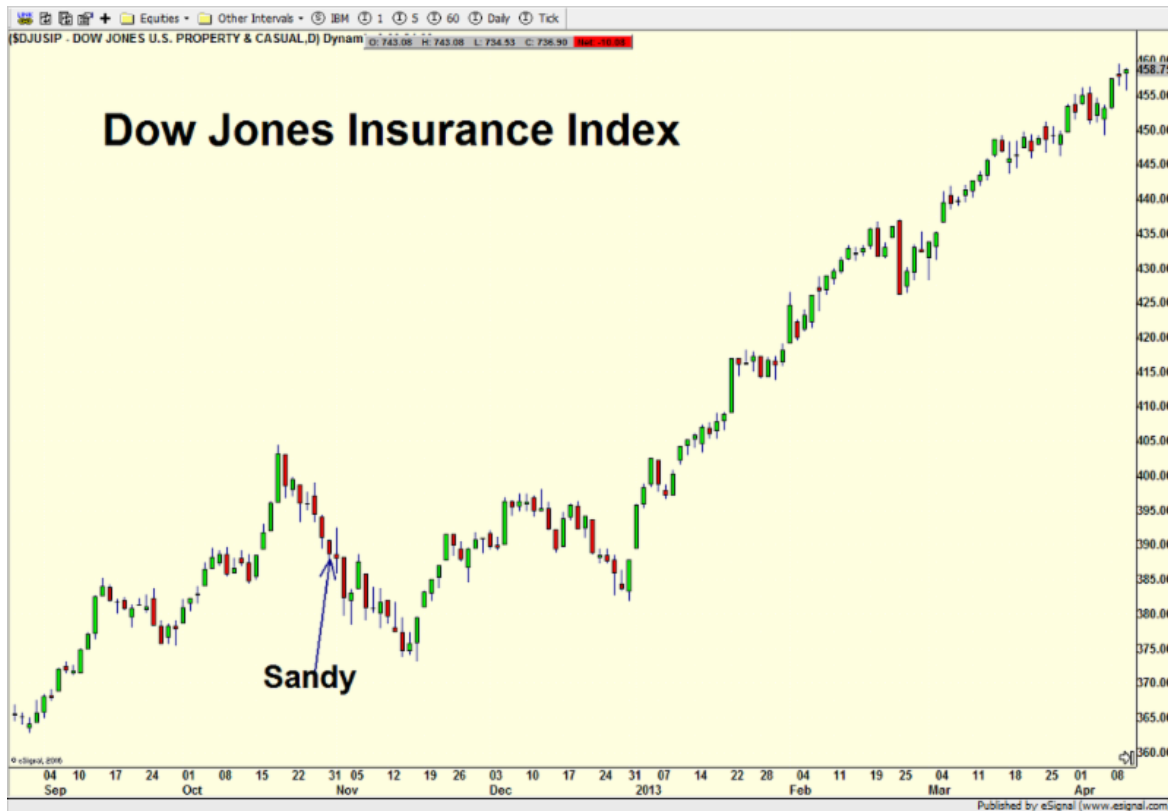


# Insurance Stocks Around Disasters

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If any sub-sector should be impacted by disasters, you would think it would be the insurance group. Similar to what I did above, let's look at how the Dow Jones Insurance Index behaved around the events.

Sandy is first and you can see that it was already pulling back when Sandy hit and continued to weaken for two more weeks before blasting off to the upside. This was basically in line with how the stock market did although a little earlier.



Reaction to Katrina was surprisingly strong as the sector did not have much downside immediately following although the S&P 500 was much stronger. And when the S&P 500 declined into October to new lows, the insurance group made a higher low, indicating possible future leadership which came to fruition through November.



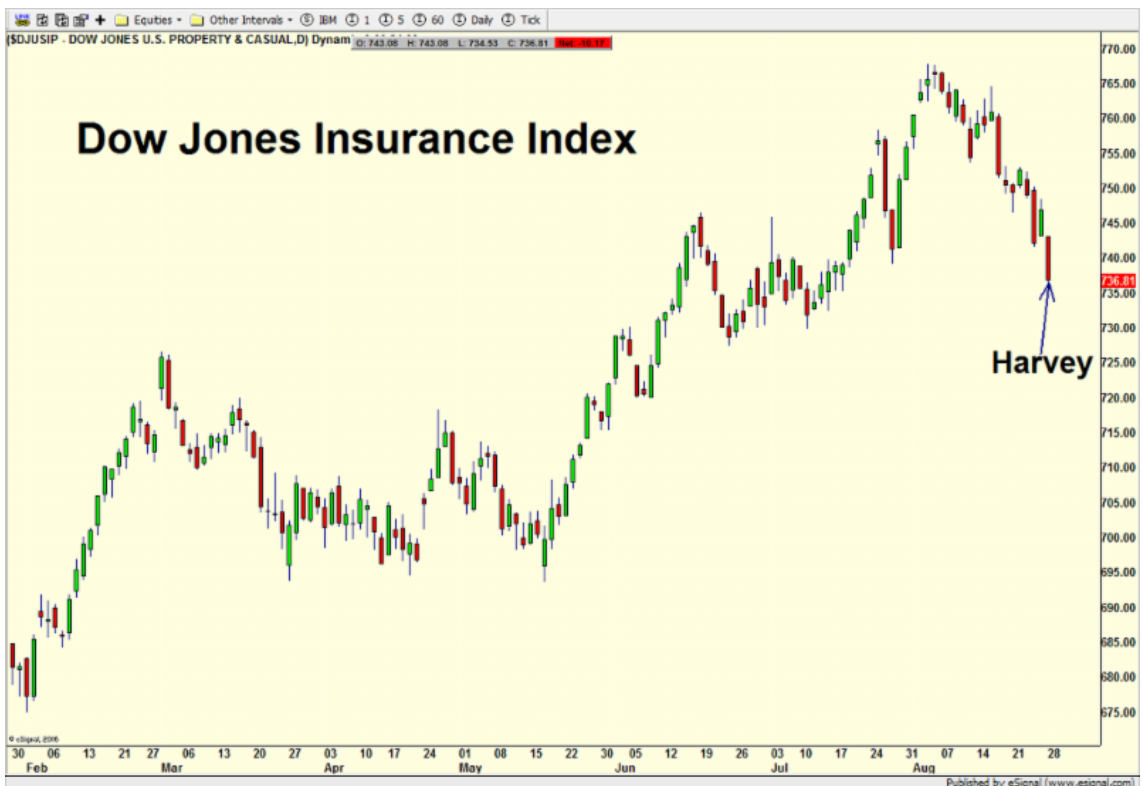
Northridge is next and I had to use the stock of Allstate as my data on the insurance index did not go back far enough. While the S&P 500 rallied and then declined, Allstate was literally straight down for several months with barely an intervening rally.



With Andrew, I used the stock of Travelers since Allstate wasn't public yet. Similar to the S&P 500, Travelers rallied a little and then declined although it wasn't perfect.



Today, we see that the insurance group has been under pressure for a few weeks, oddly upticked on Friday and now is declining today where I have the arrow and "Harvey". If history is any guide, we should see a good buying opportunity in this sector sometime in September.



## Optimize Retirement Income Through Planning

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After saving and investing for a lifetime, you are ready to retire and enjoy the results of your hard work. But before you do so, sit down with a qualified tax or financial advisor and take a careful look at your sources of retirement income and develop a long-term financial plan for your retirement years. You don't have to schedule every expense, but you do need to know how much you can afford to spend and how to optimize the value of your retirement income.

Look at the consequences of withdrawing from your different retirement income sources and create a priority list of where funds will come from and in what order. In doing so, your goal is to avoid any penalties for early withdrawals or failing to take minimum required distributions, minimize taxes, optimize return potential and potentially increase Social Security income.

The average retiree has nearly six different sources of retirement income, typically from:

- Social Security
- Retirement accounts
- A pension
- Investment accounts
- Annuities
- A savings account
- Home equity
- A part-time job
- Rent and royalties

The goal of pre-retirement planning is to strategize how to make these sources last your lifetime, or to be able to leave the most assets for your heirs. In addition to deciding when you can afford to retire and how much you will have each year, which income source to use when makes a difference.

Social Security payments can be reduced for a variety of reasons - including retiring and claiming benefits between age 62 and your full-retirement age or continuing to work prior to full-retirement age while receiving benefits.

*(If Social Security determines that your earnings exceed that allowed to receive full benefits, benefit payments will be withheld until the difference is recovered.)* The longer you postpone receiving Social Security benefits (up to age 70), the more your benefit will be. Up to 85% of Social Security benefits can become taxable, however, if you have too much income from other sources, including 401(k) and IRA withdrawals.

Social Security claiming rules encompass hundreds of pages of regulations. The more complex your financial situation, the more difficult it can be to comply with all the requirements.

There are also required minimum distributions from tax-deferred retirement accounts to consider once the account holder reaches age 70½. Market conditions may dictate changes in income sources. For example, in a bear market, it may make more sense to depend on bonds for your income requirements rather than liquidate equities.

The catch with retiring is that if you make a mistake with your money, you may not be able to recover and enjoy the lifestyle you want for your remaining years. A little advance planning with the help of someone knowledgeable of retirement finances can make all the difference.

## Investment Quotes/Adages To Live By

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"In God we trust, all others bring data."

- The Elements of Statistical Learning

"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

"A little bit at a time adds up to a lot in no time"

## To Your Financial Success,



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