
**November 20, 2017**

**4:01 PM EST**

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## Inside this issue



## The Fall That Wasn't

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I cannot believe I am writing this issue and it's Thanksgiving week. Where did the year go? My wife and I love fall. It's definitely her favorite season of the year and I have a hard time arguing with that although I really do love all four seasons which is one of the reasons we live in New England. In Europe, they talk about 2017 as the summer that never arrived. 2017 will go down as the year without fall in the northeast.

As you know, I have always coached my kids' teams and will continue to do so as long as they like it although my little guy is quickly getting to the age where daddies no longer coach. This fall for baseball, it seemed like it was hot each and every weekend. In fact, it wasn't until the final weekend of the year where I actually had to wear long pants. 70s or 80s every weekend in September and October with maybe one in the 60s.
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And just like that, at the end of October, the heat left and the cold arrived. Where are my string of days with cool mornings, warming up to the 60s? I had so much planned that never came to fruition. As I look back on the fall that wasn't, I am reminder of a crazy busy few months, especially outside of the office.

Gone are the Fridays of rushing home to get to baseball practice and then working out with my daughter. Without much pause, coaching baseball games on Saturday and Sundays. Watching my daughter's double headers on Sunday. Shuttling her to practice and my other son to tennis. That dizzying pace left me longing for my bed by the time Sunday evening came. And I am almost starting to miss it...

In mid-September, after 30 years of trying and trying, I was fortunate enough to check Merion Golf Club off my bucket list. What an historic and really cool place with one of the greatest golf courses on earth. They have very heavy flagpoles with wicker baskets instead of flags. It also didn't hurt that I played very well either.

In October, baseball playoffs came with the Yankees making a totally unexpected appearance. After going down 2-0 to Houston, I told my kids that if they could somehow tie it up, I would splurge and get tickets for game 5 in New York. I knew that wasn't going to happen, until it did. And seeing how they cheered and celebrated together, that was money very well spent.

After finishing second in more softball tournaments than I can count, KT's new team ran over their competition to her first tournament championship.

And finally, as October ended, the Little League coaches got together for a Halloween picture.

With November here, that means ski season and UCONN basketball, not to mention 5 stock market holidays between now and mid-February. It's never too early to get the feet back on snow which is what I did last week.

 

Don't forget to check our blog for intra-issue updates.
[**www.Investfortomorrowblog.com**](http://www.Investfortomorrowblog.com)

## GE - The Disaster That Is. What to Look for...

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Last week, I had the pleasure of joining the Nightly Business Report hosted by two CNBC veterans, Sue Herera and Tyler Mathisen. You can find the segment at the 22 minute mark HERE. This is one show I always enjoy as I am the only guest in the segment and they let me articulate my point. On this particular evening, GE's dividend cut was the big story of the day and that spilled over into dividend paying stocks in general.

Before I continue, long time readers know I rarely spend much time discussing specific companies unless they are true bellwethers and I think there is a tie or correlation to the stock market. This piece is obviously different from most and if interested, please do your own due diligence.

For all of this century I have taken the negative (bearish) side whenever interviewed regarding GE. It had become an old, stodgy company whose best days were clearly far behind. When Jeff Immelt succeeded "Neutron" Jack Welch, that was the straw that broke the camel's back. While I thought Welch needed a lesson in ethics and morality, I never thought Immelt was even competent to hold that much coveted position. Welch delivered results which is probably why no one targeted him, while Immelt was a complete failure.

Anyway, except for buying GE bonds for some conservative clients in 2009, I have pretty much avoided the stock altogether. There were always better opportunities elsewhere. Earlier this year, Jeff Immelt retired as CEO and subsequently left the board of GE last month. His successor is John Flannery. Flannery has been unusually candid and blunt about GE's troubles, including its cash flow. As everyone knows, GE cut its dividend by 50% and I believe that's only the third dividend cut in the company's history.

The dividend cut was a surprise to no one. Then Flannery pre-announced weaker earnings along with his turnaround plan. I thought investors would be a little comforted by this, but the magnitude of the decline in the stock after the news took me by surprise. The stock experienced a capitulatory, mini-crash on insanely high volume as you can see below. Investors were indiscriminately selling. "Get me out at any price!"
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When there are major shakeups at companies, new management often does a "kitchen sink" quarter where get all of the bad news out and then some. Anything that could possibly go wrong, they disclose, warn about and blame their predecessors. Then when everything doesn't go as bad as forecast, new management gets to be the hero. In GE's case, it almost feels like a "kitchen sink" year coming in up 2018.

GE has plenty of problems and then some. While I applaud Flannery for announcing a plan in the first place, he has his work cut out for him. And investors are not convinced. One of my close friends who runs a value fund boldly said to "stay away" as GE's pension liabilities are overwhelming. On the flip side, one my colleagues just started nibbling on the stock with a plan to add more over time.

My view is that stock collapses like this are not repaired overnight. They usually take months or quarters and sometimes years to settle down and stabilize. Once a bottom (notice I did not say THE bottom) is reached, a stock usually enters a volatile and intermediate to long-term trading range where the bulls and bears battle around an equilibrium point until the light at the end of the tunnel is seen. In GE's case, it could be in the mid teens to low 20s for a long time to come as you can see one potential scenario below. For the nimble traders, buying weakness and selling strength may be a good strategy until proven otherwise.


I don't believe GE is a bellwether for the stock market, the dividend paying sector or large/mega cap value stocks. GE has its own idiosyncratic issues. Two ways to spot potential dividend cuts are to first watch how the stock trades. Sustainable dividend companies usually do not look like me skiing downhill on the weekends. That would be fast at a 25 to 40 degree pitch.

Additionally, investors can track what's called the Payout Ratio which is nothing more than the dividend of stock divided by the earnings. The higher the Payout Ration, the harder it is to sustain. While there is no hard and fast rule, especially when it comes to utility companies, 50% or less is an okay line in the sand. For all of 2017, GE's stock warned and warned until the company listened.

# 3 Alternatives to GE on Firmer Ground

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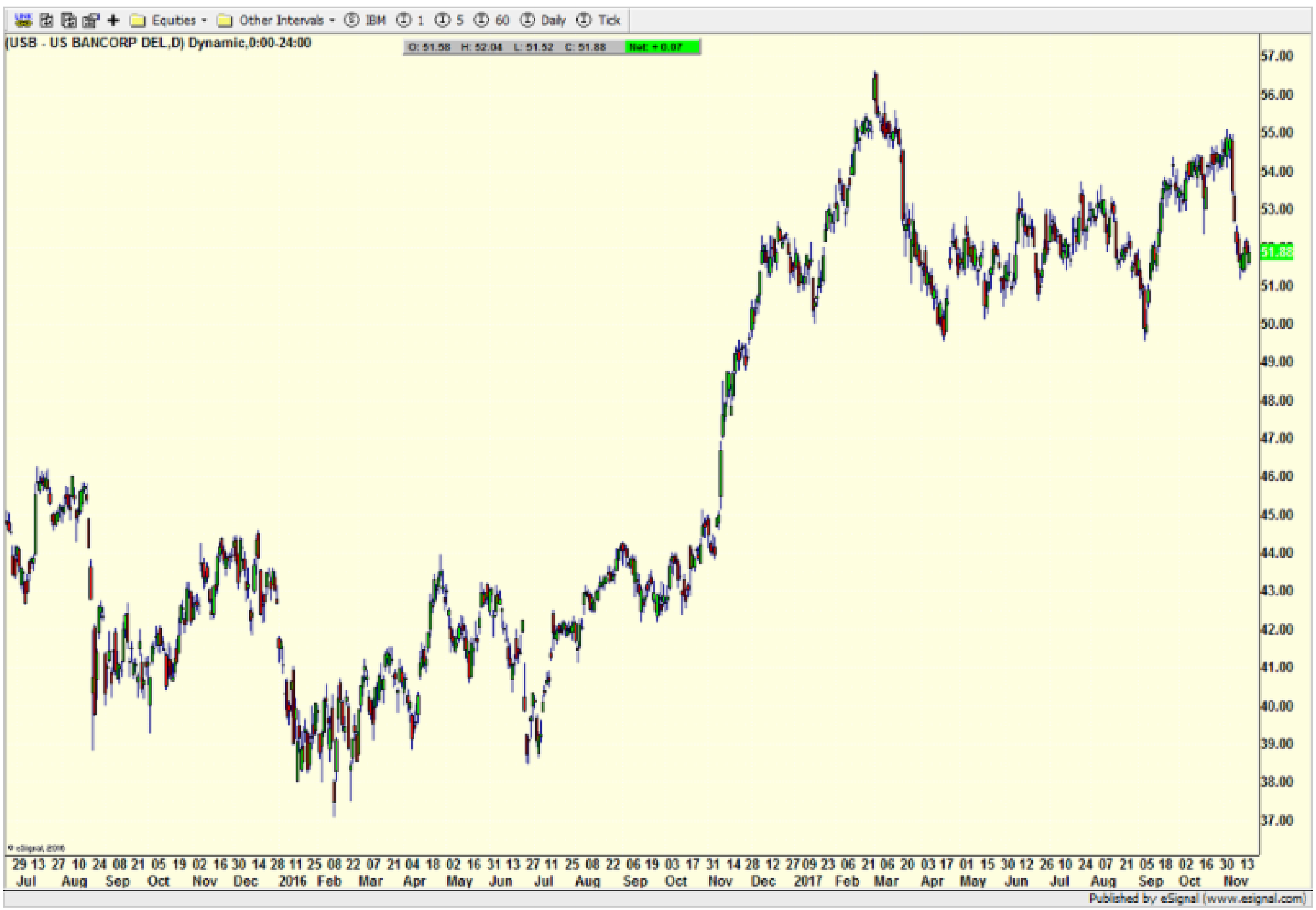
At the end of Nightly Business Report segment, I tried to squeeze in three dividend stocks which look attractive. US Bank, Pfizer and Brinker (owner of Chili's restaurants) which yield 2.3%, 3.6% and 4.3% respectively. All three have Payout Ratios under 50%. None look like a ski slope although Brinker certainly saw its collapse and now appears to be emerging from the ruins as GE has a chance to do down the road.

US Bank looks to be under reporting earnings which may seem counter intuitive. As my colleague Jim says, they appear to be reserving too much for bad loans which don't seem to be coming to fruition. Eventually, that money will manifest itself in higher earnings.




Pfizer, unlike many other large pharma companies, has no major drug coming off patent so there is no "fiscal cliff" on the horizon. The company is in an excellent capital position and the value may be in the individual assets, either in a spin off or sale to fully recognize their more cutting edge divisions in biotech. For full disclosure, certain clients own this company.
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Brinker which fell on hard times as the casual dining sector has really slowed is a cash machine with a price to earnings ratio of only 13. Although the P/E can always get even cheaper, that's a good value with that high dividend. The company could be appetizing as a buyout candidate or . For full disclosure, certain clients own this company.


As always, please do your own homework and/or consult your financial advisor. Don't just take my word. Managing the downside is key and you absolutely need a plan if things don't go your way. Riding any stock to oblivion isn't a plan.

## Debts Can Live On After You

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Toward the end, my great grandfather paid for everything with a credit card, explaining that if he died, it would be like getting everything free. While great in theory, it only works that way if you die broke or else are very careful how your debts are structured. Dying doesn't always mean the end of your debts. After your death, your estate is expected to settle your debts before assets go to your heirs. Creditors always come first.

If someone has co-signed or acted as a guarantor on one of your loans, they are responsible for the balance after you die. Spouses are also responsible for paying off your debts on joint accounts, regardless of whether they had anything to do with the account. If your spouse is just an authorized user, they will not be required to pay
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your credit card debts provided you do not live in a "community property" state.

In states which have community property laws, any debts or assets that you've obtained after marrying are also the responsibility of your spouse, regardless of whether he or she is on the loan. Ten states have community property laws: Arizona, California, Idaho Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin. In Alaska, residents have the option to make their property considered community property.

Mortgages typically come due on death, unless the surviving spouse can prove financial ability and creditworthiness to take over the loan.

Death can retire federal student loans. It's about the only thing that can. But private student loans made through a bank are typically a claim against your estate.

Is there a way to assure that your heirs receive something from your estate? In most cases, life insurance policies, IRAs, 401(k)s and other tax deferred retirement accounts, along with brokerage accounts are protected from creditors as long as you correctly establish your beneficiaries. If you do not have legal beneficiaries established on your accounts, the balance goes into your estate and is subject to creditor claims.

Can you just give away your assets prior to dying to avoid the claims of creditors? Not necessarily. While you are entitled to give away up to $14,000 per person ($15,000 in 2018) without incurring federal gift taxes, if you do this shortly before you die, your creditors could sue the people you gave/or sold assets to at under market value claiming a "fraudulent transfer."

Given you can't take it with you, it makes sense to sit down and figure out how your heirs can take it with them in the event you die. And, it is particularly important to make certain spouses are not burdened with debt they may not be able to afford.

## Upcoming Appearances

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FOX Business' The Intel Report - November 30th at 2:30 pm

FOX Business' The Intel Report - December 7th at 2:30 pm

Yahoo Finance Live Show - December 14th at Noon

FOX Business' The Intel Report - December 20th at 2:30 pm

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

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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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