Wealth Management Tips for the Sandwich Generation

The term “Sandwich Generation” has changed meaning since it was first coined back in 1981 by social worker, Dorothy Miller. The phrase originally described women between ages 30 through the 40s who were “sandwiched” between their young children, spouses, employers and aging parents. Today, it still refers to a challenging juggling act, but the demographics have changed — now their parents are living longer and the experience is felt by both men and women in their 50s and beyond. Because of this extended life expectancy, the costs incurred by the Sandwich Generation can add up, even if your parents have been diligent about saving for their own future care.

And then there’s a group called “club sandwich” or “triple decker” to describe caregivers of three generations: their parents, kids, and either grandparents or grandchildren.

According to the Pew Research Center, 1 of every 8 Americans aged 40 to 60 is raising a child and caring for a parent. When you consider that Census Bureau statistics indicate that the number of older Americans aged 65 or older will double by the year 2030, to over 70 million, it’s critical that sandwich generation cohorts not lose sight of their own financial goals even as they support their families.

Here are a few useful tips:

- **Start a college savings plan for your younger children**  
  Your financial responsibilities to your children must take precedence over those to your parents, because who else can your children look to?

- **Set priorities and boundaries with adult children**  
  If your adult child is unable to find a job and turns to the Bank of Mom and Dad for help, you must define some limits and repayment terms, and do it in writing.

- **Who will care for the aging parent?**  
  Caring for the elders can take an emotional toll, because not all siblings and family members will agree on how to take care of a parent. Put your expectations and limits of time and money to be spent in writing, especially for the benefit of other siblings or family members—who will be the primary caregiver, and who will pay for what, etc.

- **Keep all documents handy**

  - **Decide who will manage and keep all records that are related to advanced and end-of-life care, plus power-of-attorney for medical care and financial matters.**
  - **Protect your own means of livelihood**  
    Avoid leaving or taking an extended break from your job, as retirement benefits and Social Security will be permanently decreased. Trying to re-enter the workforce at the previous pay level may not be possible.
  - **Merge households**  
    It may not be the most harmonious living arrangement, but elder parents living with adult children definitely saves money on expenses like home owner’s insurance, taxes, child care, long-term care, and so on.
  - **Don’t dip into your retirement savings**  
    Never compromise your own financial future to take care of a parent. You risk passing on the loss to your own children.
  - **Continue saving despite family obligations**  
    Although you may feel strapped between your mortgage, raising children, and Shouldering some of the cost to care for your parents, try to sock some money away.
  - **Encourage long-term care insurance for parents**  
    The sooner they buy it, the less expensive it should be, so don’t wait until your parents are in their 70s and/or get ill before you bring up the subject.
  - **Government assistance**  
    Check your local government Medicaid office to see if there are any reimbursement programs for caretakers under the state and federal government’s Cash & Counseling program. Reaching out to the people and organizations that can help you and taking some financially wise steps can transform the job of supporting family from a burden to an obligation of love and pride.
  - **Seek professional financial guidance**  
    Being a part of the sandwich generation can be tough emotionally and financially. A professional money manager can offer advice on the best solutions for all concerned.

Information provided by McGee Wealth Management and Raymond James Financial Services.
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ALL need to think about how to protect what we’ve earned and how best to help our investments grow. At the Los Angeles Business Journal, our ears are always to the financial ground, and there are a number of questions that we’ve been hearing repeatedly from readers navigating the wealth management landscape. But how best to answer those questions?

To take a closer look at the latest concerns and trends in wealth management, we asked Selwyn Gerber, CPA, CEO and Chief Strategist at RVW Investing LLC to weigh in for a discussion.

◆ Describe the current investment environment and what you consider to be the best investment approach, in general terms?

GERBER: In Dickensian terms it is “the best of times and the worst of times.” The US economy is showing steady growth while most of the rest of the world’s economies are facing headwinds. Among them are the possible Great Exit (exit by Britain from the Eurozone), the fundamental problems facing the Euro currency and its participants, and the great experiment of negative interest rates which has yet to bear fruit and is an adventure into the unknown. Almost all emerging market economies have systemic problems.

The best portfolio design is time tested and supported by academic research: Own broadly diversified equities objectively selected with overweightings towards factors that historically delivered superior long term returns. Professor Eugene Fama earned a Nobel prize for this approach and it is the essential Buffett wisdom. We use bonds to mute volatility and provide liquidity – and eschew hedge funds and alternatives.

◆ What are the major changes for the business of wealth management in the last five years and what key strategic changes do you anticipate in the next five?

GERBER: The major “hot” development is the advent of “robo advisors” where assets are managed for a very low fee by a computer model based on a generic online questionnaire. Major issues are emerging with respect to the adequacy of this approach, which is based on its ability to respond to the totality of each client’s individual situation and to assume fiduciary duties.

We embrace advanced technology within our practice but there is no substitute for ongoing personal contact with clients to maintain a close relationship and take account of existing and changes in circumstances through a personalized advisor relationship.

The growth of ETFs will continue and is likely to put further pressure on costs and transparency. Structured opaque commission-rich products are a dying breed.

◆ What is your general market outlook for the remainder of 2016?

GERBER: We are counter-cyclical educators – in bearish markets we let our clients know that all bear markets end eventually and that history is solidly on the side of the bulls. In frothy markets we invoke the immortal words of Buffett that “trees don’t grow to the sky” and that in time reversion to the mean will cast a spell of bearish reality.

◆ Our approach is unrelated to current market forecasts and is tailored to each investor’s needs for income, growth and safety contextualized within their total situation. Historically, stellar long term rewards have awaited those who prudently provided capital to a diversified group of successful enterprises selected in a best-of-breed objective manner. In fact, investing based on forecasts is a sure way to poor long term performance. Asset allocation should respond to the specifics of the client and not the tarot card readings of the forecasters.

SELWYN GERBER

The growing field of behavioral finance points out that humans are genetically programmed to be bad investors in many ways. Like animals in the wild that herd when they feel comfort and flee when they sense danger, most investors buy near the top and sell into the panic. Suppressing one’s instincts is a key attribute of the savvy investor.

◆ What tools, products and processes can assist advisors in helping clients be more tax efficient while growing wealth and still maintaining cash flow needs?

GERBER: Liquidity needs for the near term should be invested in a ladder of secure bonds or equivalents timed to fund planned outflows. The core portfolio should include an allocation to assets which deliver dividends and interest income. Annually determine whether tax-free or taxable bonds are optimal. Investors should make maximum contributions to retirement funds and consider conversions to a Roth. A common error is the placement of foreign equity funds within a retirement plan, because the tax credits are then wasted. Holding those investments personally allows the benefit of tax credits to flow through.

◆ What strategies to help build and protect wealth in a global economy?

GERBER: Historically in most years it is a foreign country whose stock market performed best so including a foreign equity portion is generally advantageous. Historically a globally diversified equity portfolio returned slightly more than the S&P 500, but with significantly less volatility primarily because individual markets are not fully correlated.

While the world makes up around 50% of the world’s stock markets in market value many advisors have a strong home bias. The stringent regulations of Sarbanes-Oxley make the reliability of reported earnings of US companies for higher than other countries. The US entrepreneurial environment is the world’s most vibrant – and owning US-based companies in fact provides exposure to the global economy.

We estimate that around one-third of the sales in our typical portfolios come from abroad and we overweight US stocks.

◆ How do investors manage the complexities of the current investment market?

GERBER: Hiding behind complexity is often a way for advisors to cover up excessive fees and charges – and underperformance. We favor radical simplicity where each client knows what they own and why, in a liquid and transparent manner. The advent of ETFs enables investors to gain access to broad groupings of investments under a single umbrella at low cost. Combining several of them provides all that one requires in an equity-oriented portfolio that should be periodically evaluated and rebalanced. The basic rules for designing an evergreen investment strategy are unchanged and should be guided by the stars not the prevailing winds.

◆ What keeps your clients up at night in 2016?

GERBER: Our educational process is designed to make sure our clients are not kept up at night by any aspect of their investments that we manage. If they’re not sleeping peacefully we have failed in our primary task.

◆ What should a client be asking his or her advisor in 2016?

GERBER: A few things…

• Please provide details all the fees and costs associated with these investments.

• How are you being compensated for my making this investment?

• Are you acting as fiduciary or do you meet the less onerous “suitability” standard?

• How familiar are you with income and estate taxes – and how they impact my investing?

• How does each investment compare with its benchmark?

• What could go wrong and what are the potential risks the portfolio faces?

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*Based on commercial and industrial loans as a percentage of total assets.
Data provided by SNL Financial, December 2014.

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Let’s grow, right now.
WEALTH MANAGEMENT

A Closer Look at Financial Advisors and the Important Role They Play

It's a society that grows more complex every day, consumers are presented with the constant pressures of family, career, and community responsibilities and personal enrichment. The financial market is ever-changing with new laws, regulations, economic events, market changes, product offerings and conflicting media messages. Making the right financial moves at the right time is critical to achieving security and accomplishing personal objectives.

A personal advisor guides the financial planning process: goal identification, data organization, analysis, problem identification, recommendations, and most important - plan implementation and results monitoring. Your advisor will help you save, spend, invest, insure and plan wisely for the future.

A Registered Financial Consultant has met the qualifications required to serve the public effectively, and moreover, is committed to essential professional continuing education. You can't delegate your job, career, civic or family responsibilities - but you can obtain qualified, professional financial advice and service.

What is the RFC Designation?
The Registered Financial Consultant (RFC) is a professional designation awarded by the International Association of Registered Financial Consultants to those financial advisors who can meet the high standards of education, experience, and integrity that are required of all its members.

The RFC is a non-profit professional credentialing organization of proven financial professionals formed to foster public confidence in the financial planning profession, to help financial advisors exchange planning techniques, and to give deserved recognition to those practitioners who are truly committed to ethical standards and continuous professional education.

Because there are no consistent licensing requirements for the various persons who call themselves "financial planners" the public has a critical need for a method of distinguishing the qualified and dedicated financial advisor.

What is the purpose of the IARFC?
The primary purpose of the IARFC is to provide the public with a convenient access to a pool of well-qualified practitioners from which to choose a personal financial advisor. It is the only professional organization that requires all of its members to meet and document seven stringent requirements of education, experience, examination, integrity, ethics and a significant amount of continuing professional education.

RFC Examination Process

RFC continuing education requirements:
Each year the RFC must complete a minimum of 40 units (hours) of professional continuing education. This includes college courses, educational symposiums, credentialing courses, distance learning programs and practitioner conferences. Many RFCs are instructors at colleges and conferences.

What about other professional designations?
We hold the RFC designation to be different and perhaps more encompassing. However, the IARFC does not assert that many other professional designations or their organizations are inferior. The public is not served by divisive criticism, but rather by dedicated and well-prepared professionals. Our goal is to encourage professional conduct and collaborate between professional advisors, with strong emphasis on the importance of continuing education.

How does the IARFC maintain and publish the credibility of its members?
The IARFC removes the designation from anyone who fails to maintain proficiency through substantial continuing education, or who betrays the public trust by failing to live up to its Code of Ethics or by having a professional license revoked or suspended for misconduct or any reason.

This article was provided by the International Association of Registered Financial Consultants.

ABA Shares Consumer Tips for Budgeting, Saving and Reducing Debt

In American Bankers Association last month highlighted personal finance resources and urged consumers to take an active role in managing and protecting their money. National Consumer Protection Week, observed the first week in March, is a campaign that encourages consumers nationwide to take full advantage of their consumer rights and make better-informed decisions.

• Track your spending and review your budget often.

Reduce Your Debt
Balance transfer a credit plan to pay down debts while you save. Points to consider when cutting debt:
• Pay off more than the minimum due and pay on time.
• Pay down debt with higher interest rates first.
• Transfer high rate debt to credit cards with a lower interest rate.

Save for the Unexpected and Beyond
Pay yourself first. Saving is important; it helps ensure that you can endure financial surprises. No matter how old you are, it’s never too late to begin saving.
• Save at least 10 percent of your income for retirement. Enroll in your retirement plan or consider optimizing an established retirement plan. Contribute at least the maximum amount that your employer will match, and increase your contribution as your income increases.
• Financial advisors recommend keeping about three months’ salary in a savings account in case of financial emergencies like hospital bills or loss of job.
• If you receive direct deposit at work, ask your employer to send a specific amount to your savings account. Because the money is put into an account before you have a chance to spend it, automatic savings plans are an easy and convenient way to save. If your employer doesn’t offer direct deposit, many banks allow for automatic transfers from checking to savings accounts.

The American Bankers Association is the voice of the nation’s $15 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard $11 trillion in deposits and extend more than $8 trillion in loans.

How to Keep Your Money from Slipping Away

As with virtually all financial matters, the easiest way to be successful with a cash management program is to develop a systematic and disciplined approach.

By spending a few minutes each week to maintain your cash management program, you not only have the opportunity to enhance your current financial position, but you can save yourself some money in tax preparation, time, and fees.

Any good cash management system revolves around the four As — Accounting, Analysis, Allocation, and Adjustment.

Avoiding adjustments is key in developing a successful cash management program. Adjustments involving the cash management program are typically budgeting mistakes. Make sure you are meeting your current goals, and try to maintain a clear picture of your overall situation.

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Accounting quite simply involves gathering all your relevant financial information together and keeping it close at hand for future reference. Gathering all your financial information — such as mortgage payments, credit card statements, and auto loans — and listing it systematically will give you a

ABA’s consumer site—ABA.com/
Consumers—features personal finance tips and resources on topics such as mortgages, credit cards, protecting your money, saving for college and more. It also includes interactive calculators that can help you make wise and successful decisions regarding home and personal financing, investments, retirement and leasing.

Here are some tips that consumers follow these tips to assist their finances, gain control and stick to a new budget or saving plan:

Create a Budget
Track your income and expenses to see how much money you have coming in and how much you spend. If you have debt, establishing a budget will help you to pay down your debt while saving.

Identify how you spend your money. Put realistic goals, especially if you plan to cut some of your expenses.

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• Save at least 10 percent of your income for retirement. Enroll in your retirement plan or consider optimizing an established retirement plan. Contribute at least the maximum amount that your employer will match, and increase your contribution as your income increases.
• Financial advisors recommend keeping about three months’ salary in a savings account in case of financial emergencies like hospital bills or loss of job.
• If you receive direct deposit at work, ask your employer to send a specific amount to your savings account. Because the money is put into an account before you have a chance to spend it, automatic savings plans are an easy and convenient way to save. If your employer doesn’t offer direct deposit, many banks allow for automatic transfers from checking to savings accounts.

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You want to know that your family is secure, no matter what the state of the economy is. You want the depth of your experience to catch on with your children—and theirs. The Private Bank takes a personal interest in making sure there’s continuity to the goals and values that got you to where you are today. Our experienced professionals are committed to evolving a portfolio that reflects your needs, so that you can focus on shaping your legacy for generations to come. To start a new kind of conversation, visit wfonversations.com or contact:

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ABA offers consumer tips for putting tax refunds to good use

Nationally eight out of 10 U.S. tax filers will receive a federal tax refund this year. As millions of Americans await reimbursement from Uncle Sam, the American Bankers Association has identified five tips for making the most of their tax refund.

“Smart use of your tax refund can start you on the path to long-term financial security,” said Frank Keating, ABA president and CEO. “Instead of going on a spending spree, take a moment to evaluate your financial situation and decide on where those dollars will make the most difference.”

ABA recommends the following tips for consumers looking to put their tax refund to good use:

• Open or increase a high-yield savings account that serves as an “emergency fund.” Ideally, it should hold enough money for a down payment or three-to-six months of living expenses.

• Pay off debt. Pay down existing balances either by chipping away at loans with the highest interest rates or eliminating smaller debt first.

• Pay for education. Open or increase contributions to a tax-deferred savings plan like a 401(k) or an IRA. Where can you get one? Your bank can help set up an IRA, while a 401(k) is employer-sponsored.

• Put it toward a down payment. The biggest challenge that most first-time home buyers face is coming up with enough money for a down payment. If you intend to buy a new home in the near future, putting your tax refund toward the down payment is a smart move.

• Invest in your current home. Use your refund to invest in home improvements that will pay you back in the long run by increasing the value of your home. This can include small, cost-effective upgrades like energy-efficient appliances that will pay off in both the short and long term.

For more tips and resources on a variety of personal finance topics such as mortgages, credit cards, protecting your identity and saving for college, visit aba.com.

The American Bankers Association represents banks of all sizes and charters and is the voice for the nation’s $14 trillion banking industry and its two million employees. Learn more at aba.com.

Why Purchase Life Insurance?

We’ve all heard about the importance of having life insurance, but is it really necessary? Usually, the answer is “yes,” but it depends on your specific situation. If you have a family who relies on your income, it is imperative to have life insurance protection. If you’re single and have no major assets to protect, then you may not need coverage.

In the event of your untimely death, your beneficiaries can use funds from a life insurance policy for funeral and burial expenses, probate, estate taxes, day care, and any number of everyday expenses. Funds can be used to pay for your children’s education and take care of debts or a mortgage that hasn’t been paid off. Life insurance funds can also be added to your spouse’s retirement savings.

If your dependents will not require the proceeds from a life insurance policy for these types of expenses, you may wish to name a favorite charity as the beneficiary of your policy. Whole life insurance can also be used as a source of cash in the event that you need to access the funds during your lifetime. Many types of permanent life insurance build cash value that can be borrowed from or withdrawn at the policyholder’s request. Of course, withdrawals or loans that are not repaid will reduce the policy’s cash value and death benefit.

When considering what type of insurance to purchase and how much you need, ask yourself what would happen to your family without you and what type of legacy you would like to leave behind. Do you want to ensure that your children’s college expenses will be taken care of in your absence? Would you like to leave a sizable donation to your favorite charity? Do you want to ensure that the funds will be sufficient to pay off the mortgage as well as achieve other goals?

Life insurance may be able to help you meet these objectives and give you the peace of mind that your family will be taken care of financially. The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

If you are considering the purchase of life insurance, consult a professional to explore your options.

This material was written and prepared by Emerald.