

# Quarterly Update

## Calder's Comments

Volatile would be the best word to describe the stock market in 2015, especially during the second half of the year. With the Federal Reserve raising interest rates and uncertain numbers coming out of China, volatility has continued in early 2016.

The general rule of investing is to select a diversified portfolio. From year to year, we don't know which area of the market will outperform the others. Returns usually go back and forth between stocks & bonds; growth & value; large cap, mid cap & small cap; and domestic & international. Unfortunately, just like 2014, owning a diversified portfolio hurt your performance. In 2014, you should have just owned the S&P 500 Index. In 2015, you should have narrowed down the S&P 500 even further and just owned the FANG stocks (Facebook, Amazon, Netflix, Google).

***"As long as we are not able to find enough safe and cheap new securities, we are willing to let cash levels remain at elevated levels. Thus, cash is a residual that cannot only act as a buffer when markets decline, but is also the ammunition to buy future bargains."***

**IVA Worldwide Newsletter  
December 2015**

Amazon, Netflix,

### 2015 Major Market Indexes

**Dow Jones: 0.2%**

**S&P 500: 1.4%**

**Nasdaq: 5.7%**

**All Country World (ACWI): - 2.4%**

**International: - 0.4%**

**Emerging Markets: - 17.0%**

**Barclays US Aggregate Bond: 0.6%**

So, should you just put your money in the S&P 500 Index and just forget it? We don't think that's the best strategy. Now is exactly the time to stay diversified, possibly even look for ways to become more diversified. Many successful investment managers are selling the "expensive" stocks of the S&P and buying "less expensive" stocks outside the U.S. If the general rule is that returns vary by sector, the S&P 500 Index should be due to be out of favor soon. At Calder, we often use the ACWI (All Country World Index). It gives a better measure of how the universe of stocks is performing, including domestic, international, and emerging markets.

In December 2015, the Federal Reserve increased interest rates for the first time since 2006. It appears that we are at the beginning of a period of rising rates, yet interest rates are still at

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## Changes to Social Security Claiming Rules

On November 2, 2015, the President signed the Bipartisan Budget Act into law. One unexpected provision of the law resulted in the closing of a couple of “unintended loopholes” in Social Security claiming rules. Two popular claiming strategies are being phased out. Briefly, the new law affects **File-and-Suspend** and **Restricted Application** strategies. If you are nearing retirement, be sure to read on for a description of how these changes might affect you.

### Last Chance to File-and-Suspend Coming April 30, 2016

In short, **File-and-Suspend** involves one spouse (usually the higher wage earner) filing for benefits at full retirement age (or later), then immediately suspending benefits until a later date, typically age 70. This accomplished two things:

- First, the other spouse is then eligible to begin collecting Spousal benefits (may apply to minor or disabled children, too).
- Secondly, the benefits of the one suspending would increase 8% annually due to Delayed Retirement Credits.

This strategy will be eliminated as early as April 30, 2016 (the SS Administration hasn't issued final rules yet). If you were **born before May 2, 1950**, however, there is still time to consider it. If you have already done this, are already receiving benefits, or can file & suspend by the end of April, you are “grandfathered in”. After the deadline, you can still voluntarily suspend benefits, but under the new rules, any suspension of worker benefits would also suspend spousal (and children's) benefits.

### The Restricted Application is Being Eliminated by January 1, 2024

The **Restricted Application** strategy made sense for someone eligible for both their own benefit and as the spouse (or ex-spouse) of another worker. Prior to the new law, such a claimant could file at full retirement age (or later), and choose to “restrict” their claim to just spousal benefits. In the meantime, their own worker benefit would increase 8% annually due to Delayed Retirement Credits. For those **born before January 2, 1954**, this strategy will remain available, but will be phased out when the youngest reach age 70 by January 1, 2024.

For those **born after January 1, 1954** (turning age 62 in 2016 or later), any application for benefits will be deemed by the Social Security Administration to be an application for all (retirement or spousal) benefits for which that claimant is eligible.

There are a few other minor implications, but this covers the most important issues.



### Now: What Should You Do and When?

The decision of **when** and **how** to start Social Security is more important than ever, especially for couples – and there are still hundreds of possible choices. The difference between the best and worst choice can still be tens of thousands of dollars, often much more. Without a doubt, this is one of the most important decisions you can make as you transition to retirement, so you want to get it right! If you're over age 60, give us a call to learn how we can help you “know your choices *before* you decide”. Patrick Newcombe is Calder Investment Advisors expert on Social Security. Pat, a Certified Financial Planner professional, has helped hundreds of clients make smart Social Security claiming choices in recent years. He is dedicated to making

sure each client is able to:

- Save valuable time,
- Avoid costly mistakes and
- Get all they deserve.

Here are a couple of key takeaways.

First, if you are already receiving benefits (or have filed & suspended), these changes will likely not affect you at all.

Second, if you have not yet filed, you may want to consult with us and possibly reconsider your intended strategy of how and when to file for benefits. The rules that apply to you (and to your spouse) will depend mostly on your date(s) of birth. And it is possible that each spouse may come under a different set of rules.

Finally, don't fret and worry about this, just call us – we can make it very easy to **“know your choices before you decide”**.



## Reduce Taxes Due or Increase Your Refund for 2015

### Make a Contribution to an Individual Retirement Account

The maximum contribution to a 401(k) retirement plan for 2015 is \$18,000 (\$24,000 if you are 50 years old or older). By the way, \$18,000 (or \$24,000) are the contribution limits for 2016 too. But 401(k) contributions must be made during the calendar year.

The maximum contribution to an IRA for the 2015 tax year is \$5,500 (\$6,500 if age 50 or over). IRA contributions for 2015 can be made on **or before April 15, 2016** to have it count on a 2015 tax return.

There are some eligibility requirements that must be met to qualify for the full IRA contribution deduction.

Contact your investment advisor at Calder to discuss your options. We will help you maximize your deductible contribution.



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historically low levels. But if rates are so low, doesn't this bring us back to the question of investing in stocks because that's where the return is? IVA Worldwide, one of our largest mutual fund holding, recently talked about this in their December 2015 newsletter titled, Do Low Rates Truly Justify Higher Valuations?

The investment managers at IVA Worldwide are having a hard time finding good values in the equity markets. In fact, despite low interest rates, they are willing to hold a higher than normal level of cash, even though cash currently is earning a near zero percent rate of return. They write, *"As long as we are not able to find enough safe and cheap new securities, we are willing to let cash levels remain at elevated levels. Thus, cash is a residual that cannot only act as a buffer when markets decline, but is also the ammunition to buy future bargains."*

We understand that with any asset invested with an active mutual fund manager, that there will be inevitable periods of underperformance. Any investment will have periods of outperformance and periods of underperformance. When we review an investment, we always ask these questions:

- How does the fund's investment strategy drive their performance?
- Does the fund consistently apply their investment strategy?
- Does the fund still fit in our portfolio diversification strategy?

Then performance can be viewed based on how much of an upward moving market you are able to capture, how much of a declining market can you avoid, and your ratio between these two factors. Following an investment through a full market cycle is the most significant measure of investment performance.

**Numerous studies and research have found that the majority of investors are terrible at timing their buy and sell decisions. They overreact to performance trends, selling what has done poorly and buying what has been working. They sell low and buy high and do it over and over again.** Our job as your investment advisor, which we take seriously, is to act objectively and in your best interest. We must focus on long-term results. We continue to believe the allocation we have you put in place will provide you with above average rates of return with lower risk over a full market cycle (7-10 years). It is important that we stay vigilant and constantly review your needs and invest accordingly.

Please contact us during the first part of this year to meet to review all of your financial & life goals.

## Other Services from Calder Investment Advisors

- Comprehensive Financial Planning
- Stocks, Bonds, Mutual Funds & ETFs
- College Savings Accounts
- Life Insurance Analysis & Consulting
- Retirement Income Planning
- Social Security Timing
- Traditional, Roth & Rollover IRAs
- Corporate Retirement Plans

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