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We hope you find the information in this newsletter valuable. Please feel free to call us if you have any questions or concerns. We look forward to speaking to you soon.

Jim, Brad, Carolyn, Ashley and Jessica.

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# Four Questions to Ask Before You Open Your Wallet

Even if you have the best of intentions, it's easy to overspend. According to a Gallup poll conducted June 9-15, 2014,* 58% of people who had shopped during the previous four weeks said they spent more at the store than they originally intended to. Even if you're generally comfortable with how much you spend, you may occasionally suffer from a case of buyer's remorse or have trouble postponing a purchase in favor of saving for a short- or long-term goal. Here are a few key questions to consider that might help you fine-tune your spending.

### How will spending money now affect me later?

When you're deciding whether to buy something, you usually focus on the features and benefits of what you're getting, but do you think about what you're potentially forgoing? When you factor this into your decision, what you're weighing is known as the opportunity cost. For example, let's say you're trying to decide whether to buy a new car. If you buy the car, will you have to give up this year's family vacation to Disney World? Considering the opportunity cost may help you evaluate both the direct and indirect costs of a purchase.

Some other questions to ask:

- How will you feel about your purchase later? Tomorrow? Next month? Next year?
- Will this purchase cause stress or strife at home? Couples often fight about money because they have conflicting money values. Will your spouse or partner object to your purchasing decision?
- Are you setting a good financial example? Children learn from what they observe. What messages are you sending through your spending habits?

### Why do I want it?

Maybe you've worked hard and think you deserve to buy something you've always wanted. But are you certain that you're not being unduly influenced by other factors such as stress or boredom?

Take a moment to think about what's important to you. Comfort? Security? Safety? Status? Quality? Thriftiness? Does your purchase align with your values, or are you unconsciously allowing other people (advertisers, friends, family, neighbors, for example) to influence your spending?

### Do I really need it today?

Buying something can be instantly and tangibly gratifying. After all, which sounds more exciting: spending $1,500 on the ultra-light laptop you've had your eye on or putting that money into a retirement account? Consistently prioritizing an immediate reward over a longer-term goal is one of the biggest obstacles to saving and investing for the future. The smaller purchases you make today could be getting in the way of accumulating what you'll need 10, 20, or 30 years down the road.

Be especially wary if you're buying something now because "it's such a good deal." Take time to find out whether that's really true. Shop around to see that you're getting the best price, and weigh alternatives--you may discover a lower-cost product that will meet your needs just as well. If you think before you spend money, you may be less likely to make impulse purchases, and more certain that you're making appropriate financial choices.

### Can I really afford it?

Whether you can afford something depends on both your income and your expenses. You should know how these two things measure up before making a purchase. Are you consistently charging purchases to your credit card and carrying that debt from month to month? If so, this may be a warning sign that you're overspending. Reexamining your budget and financial priorities may help you get your spending back on track.

**Source: American Consumers Careful With Spending in Summer 2014, www.gallup.com.*

# No Matter What Your Age, Your Social Security Statement Matters

*Don't assume that Social Security is just for retirees; it's much more than a retirement program. According to the SSA, approximately 21% of individuals currently receiving benefits are younger than retirement age who are receiving disability or survivor benefits.* Get in the habit of checking your Social Security Statement every year to find out what role Social Security might play in your financial future.*

**Source: Fast Facts & Figures About Social Security, 2014*

Fifteen years ago, the Social Security Administration (SSA) launched the Social Security Statement, a tool to help Americans understand the features and benefits that Social Security offers. Since then, millions of Americans have reviewed their personalized statements to see a detailed record of their earnings, as well as estimates of retirement, survivor, and disability benefits based on those earnings. Here's how to get a copy of your statement, and why it deserves more than just a quick glance, even if you're years away from retirement.

## How do you get your statement?

In September 2014, the SSA began mailing Social Security Statements to most workers every five years. Workers attaining ages 25, 30, 35, 40, 45, 50, 55, and 60 who are not receiving Social Security benefits and are not registered for an online account will receive a statement in the mail about three months before their next birthday. Workers older than age 60 will receive a statement every year.

But why wait? A more convenient way to view your Social Security Statement is online. First, visit socialsecurity.gov to sign up for a personal *my* Social Security account (you must be 18 or older to sign up online). Once you have an account, you can view your Social Security Statement anytime you want, as often as you want.

## Check your estimated benefits

Your Social Security Statement gives you information about retirement, disability, and survivor benefits. It tells you whether you've earned enough credits to qualify for these benefits and, if you qualify, how much you can expect to receive. As each Social Security Statement notes, the amounts listed are only estimates based on your average earnings in the past and a projection of future earnings. Actual benefits you receive may be different if your earnings increase or decrease in the future. Amounts may also be affected by cost-of-living increases (estimates are in today's dollars) and other income you receive. Estimated benefits are also based on current law, which could change in the future.

### *Retirement benefits*

Although Social Security was never intended to be the sole source of retirement income, retirement benefits are still very important to many retirees. Your statement shows estimates of how much you can expect to receive if you begin receiving benefits at three different ages: your full retirement age (66 to 67, depending on your birth year), age 62 (your benefit will be lower), or age 70 (your benefit will be higher). When to start claiming Social Security is a big decision that will affect your overall retirement income, so if you're approaching retirement, this information can be especially useful. But even if you're years away from retirement, it's important to know how much you might receive, so that you can take this information into account as you set retirement savings goals.

### *Disability benefits*

Disability is unpredictable and can happen suddenly to anyone at any age. Disability benefits from Social Security can be an important source of financial support in the event that you're unable to work and earn a living. Check your Social Security Statement to find out what you might receive each month if you become disabled.

### *Survivor benefits*

Survivor protection is a valuable Social Security benefit you may not even realize you have. Upon your death, your survivors such as your spouse, ex-spouse, and children may be eligible to receive benefits based on your earnings record. Review your Social Security Statement to find out whether your survivors can count on this valuable source of income.

## Review your earnings record

In addition to benefit information, your Social Security Statement contains a year-by-year record of your earnings. This record is updated whenever your employer reports your earnings (or if you're self-employed, when you report your own earnings). Earnings are generally reported annually, so keep in mind that your earnings from last year may not yet be on your statement.

It's a good idea to make sure that your earnings have been reported correctly, because mistakes do happen. You can do this by comparing your earnings record against past tax returns or W-2s you've received. This is an important step to take because your Social Security benefits are based on your average lifetime earnings. If your earnings have been reported incorrectly, you may not receive the benefits to which you're entitled.

What if you find errors? The SSA advises you to call right away if any earnings are reported incorrectly. The SSA phone number is 1-800-772-1213 (TTY 1-800-325-0778).

# All About IPOs


***All investing involves risk, including the possible loss of principal, and there can be no guarantee that any investing strategy will be successful.***

****Data source: Yahoo! Finance historical prices for Facebook, Inc. (FB) on May 18, 2012; June 8, 2012; and October 7, 2014.***

Maybe you've heard someone talking about investing in "a hot new IPO" and wondered what all the fuss was about. Or maybe you've heard about a company "going public" and thought about whether you should invest in it. If you're unfamiliar with initial public offerings (IPOs), here's a review of some basics.

### What is an IPO?

As the name implies, an initial public offering represents the first time a company issues shares of stock that are available for purchase by the public (in other words, when it "goes public"). The sale of the company's stock is typically intended to attract new capital that the company can use to expand. IPOs might be considered the rock stars of the investing world; when the company has generated a lot of interest leading up to its IPO, the initial response from investors can make headlines.

### How does an IPO work?

Once the decision is made to go public, a company hires an investment bank to coordinate underwriting issuance of the IPO shares. The underwriter (or team of underwriters) guarantees it will purchase all of the company's shares on the day the stock is issued. However, underwriters typically do not intend to keep all of those shares, so they market them to other firms and financial institutions in advance of the actual IPO date. Firms that want to subscribe to the IPO indicate their interest in buying a certain number of shares (though they're not bound to follow through on that purchase). This process gives the underwriting firm(s) an idea of how much interest the IPO will generate. If there's a lot of interest and a large number of subscribers, the offering price can rise before the IPO date; if interest is low, the offering price will likely reflect that as well.

However, the offering price may be very different from the price at which the stock trades on its first day. That's because once the subscribing firms have begun trading shares they've bought, the price can change dramatically, depending on the overall level of market interest. At that point, as with any stock, shares are sold to the highest bidder. The more limited the supply of shares available, the higher those bids are likely to be. That's why you may sometimes read headlines about the price of an IPO jumping on its first day.

### What happens after the IPO?

Even if an IPO is eagerly awaited, there's no way to know exactly what will happen once the stock starts trading. Yes, an IPO's price can skyrocket, but it can also go nowhere or disappoint--or skyrocket and *then* disappoint. Facebook's May 18, 2012, IPO was one of the most highly anticipated IPOs in recent years. And yet on its first day of trading, after an initial pop it closed up only 23 cents--roughly .006%--from its offer price; at the close of trading three weeks later, it was down roughly 30% from its offer price (though it subsequently rebounded and as of October 2014 had roughly doubled from the first-day close).*

What's behind such volatility? One reason is that after any initial jump in price, the institutional firms that have subscribed to the IPO may want to take any profits quickly. Also, executives at companies that go public often have signed what's called a "lock-up" agreement; for a certain time after the IPO, they're prohibited from selling shares that may have been granted as part of their compensation package. Such agreements are designed to help support the stock's price during the lock-up period, which lasts at least 90 days but can be longer. However, once the lock-up expires, executives are free to trade their stock. If many of them sell simultaneously, the sudden increase in the supply of shares on the market may cause the stock's price to fall.

### What if I want to invest in an IPO?

One challenge with trying to invest in an IPO is simply gaining access to the shares. In the case of a stock that's in high demand, firms typically reserve IPO shares for their largest or most valued clients. For example, a firm might offer its IPO shares only to investors who have a certain level of assets with the firm or a minimum trading volume. If you're a small investor and are being offered IPO shares, it could be because the demand for them is less than expected, which could have implications for your investment in them.

Even though past performance is no guarantee of future results, an IPO can be especially difficult to analyze for its long-term potential because it doesn't even have a track record to review. One tool is what's known as a "red herring." This is an initial prospectus that contains pertinent information about the company; it's issued after the Securities and Exchange Commission declares the registration statement effective. However, be aware that though the red herring is subject to SEC reporting regulations, it's part of a sales campaign by the underwriters to try to drum up interest in the IPO. Don't be tempted to invest in an IPO just because it's an IPO; think about whether it fits into your overall investment strategy and tolerance for risk.

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## How can I save on my heating bills this winter?

According to the U.S. Department of Energy, home heating costs account for about 45% of the average American family's energy bills (Source: U.S. Department of Energy, December 2013). And with winter fast approaching, now's the time to prepare for the annual battle between the thermostat and your wallet.

Fortunately, there are some relatively simple steps you can take to help make your home more energy efficient and help you save on your heating bills this winter:

- *Keep the heat in.* To keep heat from escaping your home, apply weather stripping and caulking around drafty areas such as doors and windows, and inspect storm doors and windows for broken glass. Make sure that all areas of your home are properly insulated, especially attics, basements, crawl spaces, and outside walls.
- *Adjust your thermostat.* Turning down your thermostat even just a few degrees when you go to bed or when you are not home can help you save on your heating bills. To make it easier, install a programmable thermostat that will allow you to preprogram your heat to a lower temperature at certain times of the day.
- *Utilize window treatments.* Keep window curtains, shades, and blinds open during the day to allow sunlight in to warm your home, and keep them closed at night to retain the heat inside your home.
- *Close the damper.* To prevent heat from escaping through a fireplace, keep the damper closed when it's not in use. You can also avoid further heat loss by refraining from using the fireplace on extremely cold nights.
- *Have your heating system serviced.* Make sure that your heating system is working properly by having it serviced on an annual basis. In addition, clean furnace filters, warm air registers, baseboard heaters, and radiators to ensure maximum heating efficiency.
- *Consider an energy audit.* An energy audit can offer tips on how to heat your home more efficiently and save money on your energy bills. Contact your utility company to find out whether it offers free or discounted energy audits, or visit energy.gov for more information.

## Is it possible to accidentally disinherit my heirs?

Yes. One of the most tragic estate planning mistakes is unintentionally disinheriting an heir. Here are some of the most common ways this unfortunate situation can occur.

One cause of accidental disinheritance may be the simplest: failure to make a will. In this case, property generally passes according to the intestacy laws of the state in which you're "domiciled," and these laws vary widely from state to state. For example, if you are married and have children, state intestacy law might leave one-third or one-half of your estate to your spouse and the balance to your children. This may or may not be what you would have wanted.

Making an ineffective or faulty will can also result in misdirected allocations. For example, you may fail to provide for children born after you make your will (this is what happened to Anna Nicole Smith and Heath Ledger). The lesson here is to forgo the do-it-yourself kit and hire an estate planning attorney to draft and execute your will, which should be reviewed every year or two.

Failing to update your will can also result in allocations that are made according to an old will. This can lead to unwanted allocations (for example, the effective disinheritance of children when Mom or Dad remarries and everything passes to the new spouse). Make it a rule to review and update your will periodically, especially after major life events such as marriage, a birth or adoption, divorce, or a death in the family. Also consider updating beneficiary designations (for life insurance policies, retirement accounts, payable on death accounts, etc.) annually. And remember that beneficiary designations trump provisions made in your will.

A fourth cause of accidental disinheritance is what's known as "ademption." This is the failure of a specific bequest made in a will because the property no longer exists in the decedent's estate for some reason. For example, you might leave your car to your son in your will, and then sell or gift it to someone else before you die. A similar situation can occur when a life insurance policy is allowed to lapse (so check your policies and don't forget to make the premium payments).

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