April 2016

CALDER INVESTMENT ADVISORS

Quarterly Update

Calder's Comments

Who would have predicted this start to 2016? It was certainly a wild ride. From the very first day of the year, the S&P 500 Index started its fall. On February 11, the index was down 10.3%. But from there to the end of the quarter, the index was up 11.6%. After the smoke cleared, the S&P 500 gained just over 1% for the quarter. No one predicted that.

We are being asked to predict things all the time. Are we in a bull market? Should I invest in stocks or bonds? Will oil stay this cheap or will it go up? Are interest rates going up this year? What would an act of terrorism do to the market? But our answer is always the same, "We just don't know." While each of us may know a lot about these topics, it is very difficult to predict what's going to happen. Even the experts don't get it right every time.

Let's take a look at oil prices. A few years ago, analysts at Goldman Sachs predicted oil was going to $200 per barrel (it was just over $100 per barrel at the time.) When oil fell to $40 per barrel, they came out and said it would go closer to $20 per barrel, which it did and is now back in the $40 range. Short-term predictions are very hard to get right.

In order to make any investment decisions, we have to use what we do know to chart a course of action. Our current market outlook is that market returns over the next 5-7 years will be below average. This is based on numerous market metrics that continue to flash warning signs. If this is true, should I just stick my assets under the mattress and wait it out? Our answer is emphatically no.

We believe that you should always maintain a diversified portfolio that is adjusted to current market conditions. It would include a combination of investments that will allow you to participate when the markets advance, but offer protection from negative periods as well. One such fund is FPA Crescent. It was recently named one of the best mutual funds to own in a bear market (Kiplinger.com, Sept. 2015). Over many years, the investment staff at FPA has proven their strategy is sound again and again.

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Inside this issue:

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 29, 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 of April 29, 2016. If you were **born before April 30, 1950**, however, there is still time to consider it. If you have already done this, are already receiving benefits, or can file & suspend by April 29th, 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"**.

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One important lesson is that if you have a good investment strategy, you need to stick with it, even when the markets are bad. Reacting emotionally to short-term fluctuations in the markets usually leads to bad investment decisions. During these times, it is helpful to be working with an investment advisor who can help take those emotions out of the picture.

One other important lesson is that each investor should know their risk preference. Another way to address this subject is to ask yourself how comfortable you are with your investments if the market goes down? Hardly anyone is uncomfortable when things are going up.

To help you answer this question for yourself, Calder Investment Advisors has subscribed to an on-line service that helps us quantify risk preference. It’s called Riskalyze and it helps identify your acceptable levels of risk and reward.

By answering a short questionnaire of about 10 simple to answer questions, we can put a number to your risk preference. Then we calculate a risk assessment of your portfolio. This allows us to make sure we have created the portfolio that best suits you.

We hope you will try Riskalyze and see just how conservative or aggressive you really are. Taking the short questionnaire does not commit you to anything, so give it a try. Ask your spouse to answer the questions and see how similar your risk preferences are. Maybe you have a friend or relative who would like to try it too. Just let them know.

You can go to www.CalderAdvisors.com to access Riskalyze. There is a link at the bottom of each page to get your Portfolio Risk Analysis. Try it today.

One Final Note:

The elevator in our building is being replaced. Work started on April 19 and is expected to last 8-10 weeks. If you stop by our office, you will need to climb 2 or 3 flights of stairs. Otherwise, we can arrange to meet you at an alternate location..

Sorry for the inconvenience.

Other Services from Calder Investment Advisors

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

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