Spring 2019
FAMILYMATTERS
Family Investors Company

THE LIGHTER SIDE

Get your facts first…. then you can distort them as you please.

It's funny how social media was just a fun thing, and now it is a monster that consumes so many lives.

A real friend is one who walks in when the rest of the world walks out.

Be yourself….everyone else is already taken.

Pay Off Debt or Invest?

Compound interest can help your assets to grow, but it can make debt grow. How can you decide whether to put your energy toward plugging holes in the boat or rowing faster toward your destination? Think about where your money benefits your net worth the most. High-interest debt poses a significant threat because it compounds quickly – so it should be paid quickly. But lower-interest debt that eventually becomes an asset (mortgage, auto, etc.) is not a severe concern as long as your total debt remains under about 30% of your take-home pay. If your debt is low-interest and falls under acceptable limits, contributing toward investments could be more impactful to your overall net worth. (source: US News and World Report)

New Tax Laws and their Effect On Your 2018 Tax Return

This is the first tax filing for individuals after the new tax laws went into effect. How did the new tax laws affect you on your tax return? Did you owe money to the government or did you receive a substantial refund?

If either of the two scenarios above affected you, contact your representative. For those whom the new laws were not favorable, it might make sense to rebalance your portfolio into tax advantaged or tax free investments.

For those who received a substantial refund, it would be prudent to make an appointment with your representative to determine where to invest the refund you received (assuming you have paid off high interest credit cards and any other pressing debts).

Women and the Gender Pay Gap

Eighty cents on the dollar! That's how much women in 2018 earned compared to their male counterparts. The gender gap is an ever present issue in the workforce, and it is even more apparent when the woman is a minority.

Did you know that for 30 years, women have been earning more bachelor's degrees than men? (Source: www.mckinsey.com). Hiring and promotions will be crucial to ending the gender gap.

According to a US Department of Labor Study:

- There are 74.6 million women in the civilian labor force.
- Almost 47 percent of U.S. workers are women.
- More than 39 percent of women work in occupations where women make up at least three-quarters of the workforce.
- Women own close to 10 million businesses, accounting for $1.4 trillion in receipts.
- Female veterans tend to continue their service in the labor force: About 3 out of 10 serve their country as government workers.

Closing the gender gap requires to not only encourage more women to step up and ask for more — but also, among other things, training bosses to not hold it against women for asking.

Mutual Fund Facts

- In a report published by the Investment Company Institute (ICI) 401(k) plans hold $5.2 trillion in assets as of December 31, 2018, on behalf of about 55 million active participants and millions of former employees and retirees. Savings rolled over from 401(k)s and other employer plans also account for about half of the $8.8 trillion held in individual retirement account assets as of December 31, 2018.

- The ICI also found that despite the increased popularity of 401(k) plans, more can be done to help working Americans take the fullest possible advantage of the opportunity to save for retirement through these plans. Research shows that Americans will save more through defined contribution plans with proper incentives, services, and guidance. Better understanding of 401(k)s, through education and disclosure, will also boost participation.

- The average 401(k) plan account balance of "consistent 401(k) participants"—those who remained active in the same 401(k) plans from year-end 2010 through year-end 2016—more than doubled in that period, according to new data published today by the Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI).

Compliance Facts

DARRAUGH A. VALLI, VP

SEC Regulations require that we inform our clients of the Family Investors Company privacy policy with regards to their personal information. A copy of the **2019 Family Investors Privacy Policy** is enclosed with this newsletter. Please be advised Family Investors Company does not disclose your confidential information to anyone (other than necessary information sent to our clearing agent).

When you receive a request to complete a new Client Information Form, please know we are required by our regulators to obtain this information to provide you with suitable financial products or services and to affirm the products you currently own are proper for your risk tolerance and investment time horizon. This information is **NOT** shared. We take precautions to protect personal information at all times and we will remain vigilant in protecting that information.

SAFEGUARD YOUR PRIVACY!

Home Equity Line of Credit (HELOC) versus Home Equity Loan:

Banks will let you borrow against your equity in a few ways, including a home equity line of credit (HELOC) and a home equity loan. The amount of equity you borrow is added to your existing debt. The benefit of HELOCs and home equity loans is that they give homeowners easy access to cash. This could be helpful in an emergency or for people who want to make home improvements. In the case of the latter, you'll be able to deduct the interest paid from your taxes.

Home equity loans and HELOCs — both of which are also called second mortgages — share similarities but are also different. Home equity loans come with fixed rates while HELOCs are traditionally adjustable-rate loans. However, in recent years, banks have allowed borrowers to convert these loans into fixed rates. Borrowers must also apply for both loans. Qualifications vary among lenders, but most will check your credit score and debt-to-income ratio. There are also several differences between home equity loans and HELOCs, and it's important to understand them if you're considering an equity loan. A HELOC works more like a credit card. You're given a line of credit that's available for a set time frame, usually up to 10 years. This is called the draw period — during this time, you can withdraw money as you need it. HELOCs come in two varieties: One with an interest-only draw period and one with a draw period where you pay interest and principal.

As you pay off the principal, your credit revolves and you can use it again. When a line of credit has expired, you enter the repayment period, which can last up to 20 years. You'll pay back the outstanding balance that you borrowed, as well as any interest owed. A lender may or may not allow a renewal of the credit line. A home equity loan is a term loan in which the borrower gets a one-time lump sum. The loan is repaid over a fixed term, at a fixed interest rate, with equal monthly payments. Lenders normally cap the amount to 85 percent of the equity in your home. However, other factors like credit score, market value and income also affect the amount of the loan.

INSURANCE MATTERS by Steve Goldberg

Happy Spring! It wasn't too bad a winter here in beautiful New Jersey. As I write this, the sun is shining and it is a beautiful early spring day. My stent is now 5 months old and seems to be doing its job. I've lost 40 pounds in the past 6 months and feel great. I need the extra energy to chase my 2+ year old grandson around the house when he comes over. I always pooh-poohed all those folks who raved about being a grandparent, but I know from firsthand experience that they were right all along.

Let's talk a bit about life insurance for folks later in life. There are many ways that life insurance can be used to enhance your estate. Making use of Required Minimum Distributions, maximizing pensions, enhancing estate liquidity, and providing a legacy in a tax efficient manner are just some of the ways that it can be used. Life insurance is not only for young families.

Let's talk about one of the items above. When many of our clients reach the age of 70 ½, they are in a quandary as to what to do with their Required Minimum Distributions (RMDs) from their retirement accounts. They are receiving sufficient income from other sources and would not take the distributions if they weren't required. Here is a great suggestion for RMD recipients who are in reasonably good health. Use the RMDs to purchase life insurance. This will create a significantly larger legacy while providing estate liquidity to pay any taxes or estate costs that may be encountered.

If you would like more information on this life insurance strategy, would like to discuss any other uses of life insurance, or would like to review your current life insurance program, please feel free to give me a call in the office. I am always happy to help.

How Well Do You Know Your Money?

Can you answer these questions about US money?

1. In what year did Congress adopt the dollar as the currency of the United States?
2. What is unique about the nickel minted in 2006?
3. How many production locations does the US Mint have?
4. What is the name of the penny?
5. What three inscriptions are required by law to be on all US coins?

Answers:

1. 1785
2. The portrait is not a profile
3. 4 (Philadelphia, Denver, San Francisco and West Point)
4. One-cent piece
5. In God We Trust, United States of America, E Pluribus Unum

Holiday Closings

Our office follows the business schedule of the NYSE and will be closed on **Monday, May 27th** and **Thursday, July 4th**. A sign is always posted on the office door to remind clients.

The office closes at 4PM on Fridays of long holiday weekends

The office is open on Saturday by appointment only.

Contest Winner

Congratulations to Michael Pellegrino, winner of the Winter 2019 Client Appreciation Contest. Mike's entry was drawn from all correct entries received.

Be sure to complete and return the Client Appreciation Contest entry in this newsletter.

Net Worth

Net worth is the sum of one's assets - home equity, investments, savings accounts, retirement funds, cars, furnishings and such things as jewelry, furs, wine collections, old baseball cards - minus all outstanding liabilities such as mortgage balance, revolving and credit card debt, college loans and so on. Across all households, the national median net worth is $68,828. The data is from 2011 because the Census Bureau only measures it every 10 years.. Half of your fellow citizens have more than that, half less. Let us help you be in the top tier! Call your representative.

You can receive "Family Matters" via email or online at our website. We would be happy to send it to you quarterly as soon as it becomes available. Please email us at: lynngalgano@familyinvestors.com to request this service.

INVESTMENT IDEA MATTHEW P. CHEMIDLIN

We all know the stock market has its ups and its downs. But what to do when it is down? According to Capital Group, to prepare for a recession, investors should take the opportunity to review their overall asset allocation — which may have changed significantly during a bull market — to ensure that their portfolio is balanced and broadly diversified. Consulting with your representative can help since these often can be emotional decisions for investors. Not all stocks respond the same during periods of economic stress. Through the last eight major declines, some sectors held up more consistently than others – usually those with higher dividends such as consumer staples and utilities. Dividends can offer steady return potential when stock prices are broadly declining. Even in a recession, many companies remain profitable. Focus on companies with products and services that people will continue to use every day such as telecommunication services and food manufacturers. Fixed income is key to successful investing during a recession or bear market. That's because bonds can provide an essential measure of stability and capital preservation, especially when equity markets are volatile. Proper diversification is the key to surviving market fluctuations. Review your portfolio at least once a year with your representative

INFORMATION

The importance of a living will and medical power of attorney: A living will is a document that expresses the kind of medical treatment that you want or don't want if you have a terminal condition or you are in a persistent vegetative state. A living will consists of written decisions that you have made yourself. A medical power of attorney is a document that appoints the person that you want to make health care decisions for you when you can't make them for yourself. The person you appoint in your medical power of attorney is called a representative. Your representative can make any health care decision that you could make if you were able. There are many reasons why you should want to make a living will and/or a medical power of attorney. A medical power of attorney is important so that your medical care is not being decided by someone who knows very little about your wishes and what you would prefer. Without a medical power of attorney, important health care decisions could potentially be made by a doctor or a judge who may know very little about you. A living will is also important because it allows you to specifically set out the types of medical treatment that you want or don't want. If you choose, we can recommend an attorney to help you prepare these documents.

INVESTMENT TERMS

You hear investment terms on television and read them in print media and on the internet. But what do they mean? Here is a primer of some common investment terms:

Common Stock: A share of common stock represents ownership in a legally formed corporation. For most companies, there is a single class of stock that represents the entire company. Literally, when you own common stock, you own a piece of the corporation. Some companies have multiple classes of stock. Often, one class of stock will have more voting rights than another class. Owners of common stock are entitled to their proportionate share of a company's earning, if any, some of which may be distributed at cash dividends.

Asset Allocation: Asset allocation is an approach to managing capital that involves setting parameters for different asset classes such as equities (e.g., ownership or stocks), fixed-income (e.g., bonds), real estate, cash, or commodities (e.g., gold or silver). Asset classes are believed to have different characteristics and behavior patterns, thus getting the right mix for a specific investor's situation can increase the probability of a successful outcome in accordance with the investor's goals and risk tolerance.

Price to Earnings (p/e) Ratio: The price-to-earnings (p/e) ratio tells you how many years it would take for a company to pay back its purchase price per share from after-tax profits alone at current profits with no growth. In other words, the p/e ratio tells you how much money you are paying for $1 of the company's earnings. If a company is reporting a profit of $2 per share, and the stock is selling for $20 per share, the p/e ratio is 10 because you are paying ten times earnings ($20 per share divided by $2 per share earnings = 10 p/e).

FAMILY CHATTER

Darraugh Valli and husband, Peter, enjoyed a relaxing weekend with friends in Pompano Beach, Florida. **Steve Goldberg** participated in a Mr. Legs contest at a Rotary Multi District Training event. He and his fellow contestants raised $18,000 for the Rotary Foundation. **Janet Lesce** visited Family in Connecticut and enjoyed time with her daughters when on visits home from school. **Lynn Galgano** enjoyed a long weekend skiing in Vermont. In addition, Lynn and her daughter Elisabeth spent a few days with her parents enjoying the sunshine in Siesta Key, Florida.