

Fall 2018

FAMILY MATTERS



**Family
Investors
Company**

Student Loan Debt

In 2018 Americans are more burdened by student loan debt than ever before. In fact, the average student loan debt for Class of 2017 graduates was \$39,400, which is up six percent from the previous year!

The most recent reports concerning student loan debt shows that:

- There is \$104.8 trillion in US student loan debt;
- There are 44 million Americans with student loan debt;
- There is a student loan delinquency rate of 11.20% (90 days delinquent or in default);
- The average monthly student loan payment for a borrower aged 20 to 30 years is \$351
- The number of people over age 60 with student loan debt has quadrupled in the last decade from 700,000 to over 2.8 million. And that age group's debt has skyrocketed from \$8 billion to \$67 billion.

Some financial experts believe student loan debt is the worst kind of debt because for most people, it's nondeductible. Even worse, except in extreme circumstances, you can't get rid of it even in bankruptcy. It will stay with most people for decades if they don't pay it off -- even into retirement.

What can you do? Speak to your representative. You can set up a College 529 Plan for your child. We encourage you to maximize your retirement accounts before setting up a 529 Plan, because while your child can get loans for college, no one will loan you money for your retirement.

Community colleges are an excellent way to begin a higher education without extreme financial hardship. In New Jersey check out the scholarships your child may qualify for:

<https://www.scholarships.com/financial-aid/college-scholarships/scholarships-by-state/new-jersey-scholarships/>

THE LIGHTER SIDE

It's not the years in your life that count, it's the life in your years.

A best friend is like a four leaf clover—hard to find and lucky to have.

Love many, trust few....always paddle your own canoe.

It's funny how nobody notices the good things you do until you don't do them.

Be happy...it drives people crazy!

Congratulations

and THANK YOU to **Matthew Chemidlin** and **Edna Trujillo**, both of whom are celebrating 20 years with Family Investors Company.

Fanny Wood Day

Thank you to all our clients and friends who stopped by the Family Investors Company display on the 23rd annual Fanny Wood Day. We love that you take the time to come and talk to us and we enjoy seeing you!

CONGRATULATIONS to Jeff Gottesman, the winner of the Family Investors Company television give away!

Pictured here is Jeff Gottesman with FIC President Peter J. Chemidlin.



Mutual Fund Facts

- In a report published by the ICI (Investment Company Institute) in September 2018, the ICI found that younger 401(k) plan participants have large allocations to target date and other types of balanced funds, according to a new joint study released today by the Investment Company Institute (ICI) and the Employee Benefit Research Institute (EBRI). At year-end 2016, 64 percent of 401(k) participants in their twenties held target date funds, compared with 45 percent of 401(k) participants in their sixties. Target date funds are a popular choice for 401(k) plans' investment lineups.
- Also in a report dated September 2018, the ICI found that US household activity in the stock market has undergone a transformation over the past three decades. The old idea that investing in the stock market is just for the wealthy is vastly out of date. In the late 1980s, less than a third of US households held stocks. Now, a majority do. This growth in stock-owning households has occurred across all income quintiles. In fact, the most rapid growth has taken place among lower-income Americans: today nearly four in 10 stock-owning households have annual incomes of less than \$68,000. Stock ownership comes in many forms—directly, through a brokerage account, or indirectly, through mutual funds, exchange-traded funds (ETFs), closed-end funds, and other managed accounts. And the rapid growth in retirement savings accounts such as 401(k) plans and individual retirement accounts (IRAs) has fueled this trend. The Federal Reserve Board Survey of Consumer Finances reports that a majority (52 percent) of US households owned stocks in 2016, up from about 32 percent in 1989 (Figure 1). This means that 65.4 million US households owned stocks, directly or indirectly through funds.

Compliance Facts DARRAUGH A. VALLI, VP

The FINRA Conduct Rule 2280 requires investment firms to annually inform clients of the FINRA's Public Disclosure program regarding investment firms and individual representatives. You can check the background of the investment firms and the representatives with whom you do business by calling FINRA at their toll free number: **1-800-289-9999** or via the internet at **www.finra.org**

Family Investors Company also provides a link to FINRA's Broker Check on our website. There is also a brochure available detailing the Public Disclosure Program. Family Investors Company urges you to take advantage of this free service.

RETIREMENT SAVING CATCH UP

Imagine you are age 50....Have you looked at your IRA statements and 401(k) statements and thought, "Yikes! I better do something because I will be retiring soon?" The IRS makes your procrastination easier by offering catch-up provisions that allow people over age 50 to contribute extra money to IRAs and 401(k)s. For example, for the 2018 tax year, the annual contribution limit for an IRA is \$6,500 for people 50 and older. Those who are 50-plus may contribute as much as \$24,500 into a 401(k) plan.

These catch-up contributions can make a big difference. For example, if you are age 50 and haven't yet saved a penny for retirement but are able to max out your IRA and 401(k) contributions going forward, you can set aside \$31,000 annually (compared with a maximum of \$24,000 for younger savers). If your annual returns average 6 percent, you could still accumulate a portfolio worth about \$1.2 million by age 70.

Never regret a day in your life....good days give happiness, bad days give lessons, worst days give experience and best days give memories.

Client Appreciation Word Search Contest

The winner of our Client Appreciation Contest in the Summer edition of the newsletter was Susan Thul.

Congratulations!

INSURANCE MATTERS by Steve Goldberg

Happy autumn!!! I hope that our friends in the Carolinas haven't been too adversely affected by Hurricane Florence. I won't complain about the ugly weather we have been having here in New Jersey.

Let's talk about my favorite subject...long term care. The cost of care continues to rise. Along with the rise in costs, the cost of long term care insurance continues to rise as well. I have met with many clients who have seen increases in their premiums for existing long term care policies. It is important to review your policy on a regular basis to understand your benefits.

Annuity "hybrid" products have become an increasingly popular way to cover long term care expenses. Many annuities now have a long term care rider which enables owners to access their value in addition to added benefits provided by the insurance company to pay for long term care. These annuities are usually purchased with a lump sum payment and typically can only be set up with non-qualified dollars (assets not in a retirement plan or IRA).

There now is at least one company that offers this annuity using qualified assets. This will allow you to use a portion of your IRA to protect a significant amount of your estate by providing long term care coverage. The advantage of any of these "hybrid" products is that if the money is never used for long term care, your beneficiary will inherit the full value of the annuity.

If you have any questions about these types of products or have any other questions regarding planning for long term care, please feel free to give me a call at the office. I am always happy to help.

If you doubled a penny every day for a month (30 days), how many dollars would you have? The answer \$5,368,709.12!

Protection MATTHEW P. CHEMIDLIN

Almost everybody has received unsolicited "phishing" email or telephone calls from someone claiming to be a representative of your bank or credit card company. You can protect yourself from these scams:

- Never provide personal financial information—Social Security number, account numbers, passwords or PINs over the telephone or internet unless you initiated the contact;
- Do not click on a link in a suspicious email. It can contain a virus that will contaminate your computer's hard drive;
- Do not let an email or telephone solicitor scare you by threatening dire consequences if you do not act immediately to provide the information they are seeking;
- Do not fall prey to a telephone number given to you by an unsolicited call or from a suspicious email. Verify the institution's telephone number by checking your account statement, the telephone book or calling information;
- Review all your financial account statements on a regular basis;
- If you become a victim of a fraudulent scheme, protect yourself immediately. Contact your financial institution, contact one of the credit bureaus and monitor your accounts;
- Contact www.identitytheft.gov

We would like to take this opportunity to wish our friends and clients a very Happy Thanksgiving and a joyous holiday season.

Holiday Hours

The Family Investors Company office follows the schedule of the New York Stock Exchange. Our office will be closed on **Thursday, November 22nd** and will close at **1PM on Friday, November 23rd**. The office will close at **1PM on Monday, December 24th** and be closed **Tuesday, December 25th**. The office will close at **4PM on December 26th, 27th, 28th**. The office will be closed **January 1st and January 21st, 2019**. Evening and Saturday appointments are available upon request.

In cases of severe weather, the physical location of Family Investors Company may be closed, but you can always call the office and your call will be forwarded to a licensed principal representative.

"Santa" Goldberg

The Scotch Plains Business and Professional Association will hold their annual Holiday Festival on Sunday, December 2nd on the Municipal Grounds. Be sure to stop by and see Steve "Santa" Goldberg. Bring your children and/or grandchildren!

Holiday Giving

As the holidays approach, we urge you to take pause and to donate your time and/or money to make the holidays special for those less fortunate than you. Contact your church, temple or favorite local charity for ways that you can help.

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: info@familyinvestors.com to request this service.

INFORMATION

SIPC— The Securities Industry Protection Corporation is a non-profit membership organization established by Congress which insures securities and cash in customer accounts up to \$500,000 (up to \$250,000 in cash) in the event of a brokerage bankruptcy. The SIPC is funded by all of its member securities broker/dealers.

While it insures the account in the event the brokerage firm runs out of funds to cover its claims, it does not insure against investment losses.

Family Investors Company is a member of SIPC. You can request an information pamphlet about SIPC from our office or visit their website at: www.sipc.org and you can download the brochure “How SIPC Protects You.”

Thanksgiving Day Reflection: A thankful heart is not only the greatest virtue, but the parent of all other virtues. - Cicero

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:

Preferred Stock: This is a class of ownership of a company that allows shareholders to get a larger dividend and that dividend is often guaranteed. Holders of preferred stock do not have voting rights but can receive special status if a company is going into bankruptcy. For example, if a company is liquidating and must pay off its creditors, preferred stockholders must be paid before common stockholders. In some cases, companies can repurchase shares of preferred stock from shareholders, often at a premium. In some cases, it is also possible to convert preferred stock into common stock, but not vice versa.

Trust Fund: A trust fund is a special type of legal entity that allows a person or organization to hold assets that they will eventually give to another.

For example, a grandparent could hold \$100,000 in securities for a grandchild with the stipulation that the grandchild gets the assets when he/she turns 21. Trust funds offer tremendous asset protection benefits, and sometimes tax benefits, if intelligently structured. Trust funds can hold almost any asset imaginable. There is the notion that trust funds are only for the wealthy, but they are available to anyone who wants to smartly transfer assets to another person.

Investment Mandate: An investment mandate is a set of rules, guidelines and objective used to manage a specific portfolio or pool of capital. For example, a capital preservation mandate means a portfolio cannot risk meaningful volatility even if it means lower returns.

FAMILY CHATTER

Peter Chemidlin and wife, Joan, traveled to Nebraska to celebrate Joan’s father’s 80th birthday. They are also going to visit son, Tighe, and attend the Virginia Tech versus Notre Dame football game. **Darraugh Valli**’s children, Micaela and Sean had a productive summer as beach lifeguards. Micaela worked at Belmar and Sean at Ocean Beach. Both are settling in for sophomore year at college—Micaela at Villanova and Sean at Marist. **Matt Chemidlin**’s daughter, Angela, is enjoying her freshman year at Montclair State University, Matt and son, Scott, ran in a 5k race on September 15 (their second since July 4th!) Both finished with better times. **Steve Goldberg** and wife, Pat, enjoyed many days at the Jersey shore. They also spent much joyful time babysitting for grandson, Ryan. **Lynn Galgano** delighted in having daughter, Elisabeth, home for the summer. She recently brought her back to Colgate University to begin her junior year. Lynn combined college drop off with a trip to Niagara on the Lake in Ontario, Canada. **Janet Lesce** enjoyed having her girls home from college for the summer. Her daughter, Grace spent a month traveling through California. They also had a family vacation to Cape Ann, Massachusetts.