Financial Decisions
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780 Third Avenue, 19th Floor
New York, NY 10017
Phone: 212-920-3470
financialdecisions@findec.net
www.findec.net

Seven Steps To Protect Yourself After Data Breach

On September 7, 2017, one of the "big three" credit reporting agencies in the country dropped a bombshell. Equifax had been hacked, and almost 150 million Americans may have had their credit histories exposed. It was one of the largest cyber-breaches in history, and while it's difficult to get a handle on exact numbers, suffice to say that it's quite likely your information was compromised.

And it isn't just U.S. citizens who are at risk. The hackers also grabbed confidential data on residents of Canada and the United Kingdom. The other two major credit reporting agencies—Experian and TransUnion—weren't affected.

It took some time for Equifax to get the word out. According to media sources, unauthorized access to data occurred during a three-month stretch between May and July of 2017. The breach was reportedly discovered on July 29, 2017.

What were the hackers after? Again, details are spotty and Equifax has promised to follow up with additional information, but at the very least it's likely that names, addresses, dates of birth, Social Security numbers and in some cases, drivers' license numbers were exposed.

Equifax has claimed that there was no evidence of unauthorized activity on its core consumer or commercial credit reporting databases. But do you feel comfortable knowing that your personal information is in the hands of people who could do you considerable financial harm?

What's more, it's easy to be lulled into a false sense of security as time passes and you don't experience any problems related to the hack. But it could be many months or even years before criminals try to use your information, and it pays not to assume that you're immune.

Whether you believe your information was exposed or not, there are several steps you can take in the aftermath of the breach to protect your financial affairs. The Federal Trade Commission (FTC) has recommended the following actions:

1. Visit a special Equifax link at www.equifaxsecurity2017.com that the company set up to help consumers. (This link isn't monitored or controlled by the FTC.) To find out whether your information has been compromised, click on the "Potential Impact" tab and enter your last name and the last six digits of your Social Security number. Your Social Security number is sensitive information, so make sure you're on a secure computer and an encrypted network connection before you enter it. The site will tell you whether you're a victim of the breach.

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Happy Birthday, Bull Market!

The current bull market in U.S. stocks turns nine years old this month, dating back to the depths of the Financial Crisis in March of 2009. This basically-uninterrupted rally is now the second longest, and second strongest (more than a 300% gain) on record, trailing only the technology-inspired run-up of the 1990's. Yet in spite of this enormous success, all anyone wants to know is, "when is it going to end?"

Short answer: Don't know. Longer, more thoughtful answer: With strong corporate earnings, synchronized global growth, and measured de-leveraging of central bank balance sheets, it is hard to find a fundamental reason for stocks to reverse course. But as we saw last month, investor sentiment can turn quickly. The remarkably smooth market gains we saw in 2017, without so much as a 3% correction, seem unlikely to continue. General consensus suggests a more volatile environment for stocks will persist.

Famed economist Herb Stein's Law says "If something cannot go on forever, it will stop." Obviously, this bull market, like all others before it, will eventually end. Our experience tells us that our longstanding tradition of being reasonably exposed to the growth of the stock market, and periodically rebalancing assets according to an established allocation, is still the most prudent (and least nerve-wracking) approach towards investing in an aged bull market.

Florence Dupont, Ken Gutwillig, and Linda Schoenthaler

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Getting Help To Care For Mom And Dad

After years of taking care of her elderly parents, Maria Thompson needed help. Juggling her obligations as a mom, wife, and clothing store owner with overseeing her parents' medical and financial affairs had become too much to handle. It's an increasingly common story. At least one in four American families provides care for an older relative, according to the AARP. For Maria, the solution was to hire a geriatric care manager (GCM).

"Many people who care for a parent are overwhelmed and exhausted and can use an advocate on their side," says Mary Ann Higgins, a GCM and board member at the National Association of Professional Geriatric Care Managers. "Finding someone who understands your situation and can help you through the maze of options makes things much easier."

As a professional with training in gerontology, social work, nursing, or counseling, a GCM should be familiar with the cost, quality, and availability of services in your parents' community and can help you make prudent choices. GCMs conduct care-planning assessments to identify problems, evaluate your loved one's eligibility for government assistance, and can even screen, arrange, and monitor in-home help. Some GCMs also provide family or individual therapy or guardianship assistance. Emotions, flare-ups among siblings, and resentment between parents and children can boil over when making decisions about how to care for parents. An objective outside expert may be able to defuse tensions with clear thinking and good communication and by simply taking the time to research and suggest solutions that the family may not have known to explore.

> GCMs serve as the family quarterback, guiding those caring for mom or dad through a maze of complex challenges.
>
> -Linda Johnson,
> Geriatric Care Manager

For many adult children, the miles that separate them from Mom or Dad compound stress and concern. Can you be certain an elderly parent or relative is eating properly, taking medications on time, paying bills, and keeping up with the chores of running a household? When you're far away, can you properly assess whether someone can continue to live independently or—often despite a strong desire to stay at home—really belongs in an assisted living facility or nursing home? For families living at a distance, a GCM can serve as a liaison, alerting you to problems.

Before hiring a GCM, meet with several candidates and thoroughly check their backgrounds and qualifications. It's crucial to find someone with formal training and experience. The Aging Life Care Association (*www.aginglifecare.org*) can help you locate licensed GCMs nationwide. The association's website also includes information about the role of a GCM, and provides other care management resources. Note that GCMs usually bill privately and are not covered by Medicare or Medicaid. However, your employer's Employee Assistance Program or flexible spending plan could help defray the cost.

Taking care of your parents may be something you wish you could handle on your own. But getting high-quality assistance from a professional care manager can be to everyone's benefit. ●

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Family Foundation Lets You Do Good For Others

A family foundation lets you become a philanthropist even if you're not as wealthy as Bill Gates. But don't treat a nonprofit like a hobby or use it to an unreasonable personal advantage. To stay on the good side of the Internal Revenue Service, you must run it like a business.

More retirees are starting family foundations—with as little as a few hundred thousand dollars—to help a favorite cause directly. Other potential benefits include trimming taxes and building family members' social consciousness and business skills. But as the popularity of family foundations has soared, the IRS has begun scrutinizing them. Among the potential problems are family members being paid exorbitant amounts for running a foundation and donors gaining lucrative contracts for support services. Federal law prohibits this sort of self-dealing.

IRS rules generally forbid foundations from entering into financial relationships with insiders, known as "disqualified persons." That includes officers, directors, trustees, substantial contributors, and family members of people in any of those categories. Suppose Jack and Jill Jones start a foundation to raise funds for animal shelters and open a foundation office in a building they own, charging rent of only $50 a month. That's illegal, because it sets up a financial relationship. They could, however, donate the space.

There are a few exceptions to this rule. Money managers and attorneys may provide personal services even if they are disqualified persons, as long as they charge reasonable and customary fees. Similarly, salaries for officers must be "reasonable," meaning similar to what other comparable foundations—of like size and budget in the same geographical area—pay people with similar experience working the same number of hours and performing similar duties.

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Succession Planning For Solo Businesses

You are your company, from CEO to receptionist. While that keeps costs low and affords considerable operating flexibility, flying solo makes succession planning problematic at best. There is no "& Son" in the company name to suggest who will take the reins when you retire, and you have no employees to buy the business from you. When you leave your business, it may cease to exist.

That's not what you want to happen, of course. You'd like your company to have value beyond your involvement in it, so you can translate years of hard work into a sizeable asset for retirement and your estate. That's what succession planning can achieve.

A simple sale of a solo business, however, can be difficult to arrange and may yield a selling price far below what you believe the company is worth. Buyers may be skittish, worried that your clients won't stick around—particularly if your business revolves around a personality-driven service relationship.

With foresight, though, you may be able to sell for a good price. One option is to make a deal a few years before you retire, offering to stay on board to effect an orderly transition with your clients. The more clients you are able to retain for the new owner, the higher the price is likely to be.

Another possibility is to take on a partner who will agree to buy you out when you're ready to leave. That way, the partner has a chance to get to know the clients and should be able to keep most of them after you're gone. From the clients' point of view, they're getting a known entity, and that should be preferable to starting over with a stranger.

Engaging a partner also gives you more flexibility about how and when you retire. You might simply want to say farewell at a specified time, or you could prefer to ease out of the business gradually. You could spend a few years trimming your full-time commitment to part time, ultimately working with only a few select clients before you retire completely. Such an arrangement should maximize client retention and give you a few extra years of income. If your partner agrees, you could even retain a small, passive stake in the company after retirement, giving yourself an ongoing stream of income and providing your heirs a nice payout when the partner buys back your stake.

Sometimes, though, death or disability makes an orderly exit impossible. The need for a quick sale, with little or no transition for your clients, can obliterate the value of your business. But even in these situations, it's often feasible to extract some value—and the better your succession plan, the higher the price you or your heirs are likely to get.

If you become disabled and have a short- or long-term disability policy to provide some income, you'll have more options than if you must sell immediately. You might hire someone to fill in temporarily, and depending on the severity of your disability, you may be able to stay involved with the business to some degree while you search for a buyer. Chances are, you'll have to accept less than full value for the company, but you shouldn't have to give it away.

In the case of death or total disability, the task of finding a buyer will fall to your heirs. You can help them now by creating a written succession plan. Make sure it includes:

- A list of likely buyers (talk to them first, if possible)
- Instructions about how to handle records, equipment, and sensitive information
- The names of advisors (attorneys, bank representatives, accountants, and financial advisors) who can assist with the sale
- A letter for your clients explaining the situation and endorsing the buyer as your successor

This succession plan should be as clear and direct as possible, and it should be backed up by an up-to-date will to facilitate a smoother sale. Your heirs will be grieving and distracted, and your succession plan can help them cope with the sale of your business during an emotional time.

Planned or unplanned, the sale of a "single shingle" business is seldom simple and lucrative. But thinking now about how your company might be passed along at your retirement or death can help ensure the best possible outcome for your heirs, the buyer, your clients, and even the business itself. ●

To help foundations comply with this law, several associations publish salary surveys. It is possible to pay an officer more than the median salary, but only if you can justify your decision by documenting the person's special skills or services. There are financial penalties for breaking the rule. If the IRS determines that an officer's salary is unreasonable, the officer would be assessed a "self-dealing penalty" of 10% of the excess compensation—that is, the amount the insider was paid above the amount deemed reasonable. So if an insider took an annual salary of $150,000 for a job for which reasonable pay was considered to be only $100,000, the officer would be personally liable for a $5,000 penalty—10% of the $50,000 difference. The foundation would also be penalized.

"In every instance, you have to put the foundation's interests ahead of your own," says Jeffrey D. Haskell, senior vice president of tax and legal affairs for Foundation Source in Fairfield, Conn. You need to document everything you do, Haskell says, maintaining complete records of all donations and transactions, and you should develop written policies covering conflicts of interest, investment practices, travel and expense rules, and document retention. ●

Also ask your advisor about donor-advised funds, a simpler and cost effective philanthropy alternative.

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Bitcoin, Chasing Your Tail, And Investing

Thinking about Bitcoin? Could be a good time to hop on, right? Wrong! Usually, by the time the average investor jumps on a gaudy, freewheeling bandwagon, it's too late. The price spike has already occurred. If the investment is a fad, a sickening plummet may well await you.

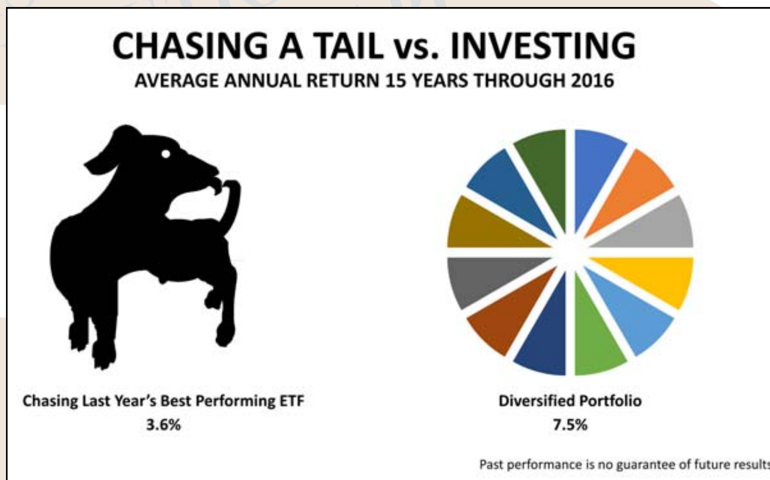
Bitcoin blasted to a record high at rocket speed, hitting $19,783 on December 17, 2017, before plunging 25% in the next 10 days. The cryptocurrency may yet be destined for greatness over the long-term, but its supersonic ascent and subsequent nosedive look much like other notorious investment fads.

In 1637, Dutch investors lost their bloomers on tulip bulbs. During tulip-mania, prices for bulbs reportedly rose from November 1636 to February 1637 by 2000%.

These objects of desire were flowers. It made no sense. The crash of the bulbs shattered lives and has served ever since as a beacon in financial history, warning investors of the risks of chasing performance.

Investing in Bitcoin makes little sense considering that it is one of many cryptocurrencies being mined on the Internet. The value of a cryptocurrency is set by supply and demand and supply is set by a software program that's not tied to a sovereign state. Transactions are easily hidden from tax authorities. Ultimately, cryptocurrencies compete with sovereign nations, which is why some governments are starting to move to regulate them. South Korea was the first nation to ban all anonymous cryptocurrencies and regulate the rest.

Bitcoin's ascent was easy to spot as a mania, but the modern-day danger inherent in chasing hot performing investments is often far less apparent. For example, say you bought the No. 1 performing Exchange Traded Fund annually for 15 years through 2016. Sound like it could be a strategy for success? Think again, according to Dr. Craig Israelsen, Ph.D., who teaches portfolio design techniques to financial professionals. Your average annual return would have been 3.6% — less than half the annual return of a broadly diversified portfolio invested across 12 different types of assets equally and rebalanced systematically every year over the same 15-year period through 2016.



Human nature makes people susceptible to investment manias, shiny bright objects like Bitcoin, and chasing last-year's winners. It's why people will always need investment professionals to stay focused on economic fundamentals, quantitative analysis, controlling fear and greed. ●

Steps To Protect Yourself

(Continued from page 1)

2. Regardless of whether your information has been exposed or not, if you're a U.S. citizen you can get one year of free credit monitoring and other services. When you're ready to enroll, return to the site and click "Enroll." Currently, you have until June 30, 2018 to take advantage of this offer.

3. Check your credit reports from the big three credit reporting agencies by visiting annualcreditreport.com. Accounts or activity that you don't recognize may indicate identity theft. Another link provided at IdentityTheft.gov tells you what to do if you think there's a problem.

4. Consider a "freeze" on your credit files. With a freeze, it's hard for a criminal to open a new account in your name. However, a credit freeze won't prevent someone from making charges to your existing accounts.

5. Continue to monitor credit card and bank accounts closely for charges you don't recognize. Remember that it may take a while for such activity to occur.

6. If you decide against a credit freeze, you might instead place a "fraud alert" on your files. A fraud alert essentially warns creditors that you may be an identity theft victim and that they should verify any new credit applications in your name.

7. File your tax return early. If you're at risk, it helps to get your return into the IRS before a scammer has a chance to. Tax ID theft occurs when someone uses your Social Security number to seek a tax refund or a job. Also, be sure to respond immediately to any letters from the IRS.

Finally, visit Identitytheft.gov/data breach to learn more about protecting yourself after a data breach. In addition, your trusted financial advisors can provide you with more guidance. ●

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