

MAIN insights

A resource of Main Advisory Inc. › Q1 › 2019
www.mainadvisory.com

- Turn off the News..... 1
- Plan for the Unexpected..... 2
- The Greatest Gift..... 2-3
- Personal Notes..... 4

Don't Invest Too Much Attention – Or Money - in the News

I have a confession to make: I'm a hoarder of information. Hours can fly by while browsing the aisles of a book store. Magazines are read from cover to cover. Non-fiction wins out over fiction.

I maintain a folder on my computer desktop labeled, "interesting articles." It contains an eclectic assortment of statistics, charts, human interest subjects, wealth management topics, economic forecasts, quotations, and articles containing timeless wisdom. The contents date back before the financial crisis of 2008.

In January, there will be a deluge of pundits, economists, and investment managers offering their 2019 outlook for the markets. Financial magazines will print lists of the "Best Performing Funds of 2018" with data that rarely offer a repeat performance in subsequent months.

Eye-catching headlines, such as, "The Best Place to Invest in 2019" will cry out to shoppers waiting in grocery store checkout lines. It's tempting to throw these colorful periodicals into the cart, but is it a wise idea?

Check out the headlines of a few stories saved in my "interesting articles" file:

PEAK OIL AND THE LONG-TERM ASSET ALLOCATION IMPLICATION (Published in: Advisor Perspectives, 6/17/2008). The peak oil theory was developed in 1955 by geologist Michael Hubbert and concluded that oil discovery and recovery would peak in 1970. The author tells readers in 2008, "the basic story is still valid, and probably more so."

Fact check: *In recent years, the U.S. has become a dominant producer of oil with multiple discoveries across the nation. We now export oil and natural gas. There was no "peak" in oil as the article suggested. An investment strategy based on this flawed theory would likely have failed, too.*

OPINION: WHY THE STIMULUS WILL FAIL, by Christopher Grey, (Published in: TheStreet.com, 2/9/2009). The author concludes, "it is too late for America to reverse course. We are headed down the path of inflation and currency debasement, and all investors can do at this point is position themselves to deal with it and minimize the damage."



Fact check: *It's been almost 10 years and inflation hovers in the 2 percent range, barely high enough for the Federal Reserve Board to justify raising interest rates.*

THE DEATH OF BUY AND HOLD, by Doug Kass (Published in: TheStreet.com, 3/30/2009).

Fact check: *Indexing trends have dominated the investing landscape since the Financial Crisis. Mr. Kass was way off on this one. He may be right someday, just not when this was written.*

THE TIME BETWEEN TOO EARLY AND TOO LATE, by David Kelly (Published in: Monthly Commentary, JP Morgan Funds, 4/12/2012). Dr. Kelly laid out several reasons for both optimism and caution. But this statement stood out: "Although the U.S. economy clearly has the potential for continued growth, it appears to be carrying too much weight for its current jog to suddenly accelerate into a sprint."

Fact check: *With 20/20 hindsight, we know the equity markets did continue at a sprint's pace.*

BUYING STOCKS AT RECORD HIGHS: WILL YOU BE SORRY? by Jason Zweig (Published in: The Wall Street Journal, 11/23/2013.)

Fact check: *Stocks were not at record highs and continued an upward trajectory through 2017.*

A renowned author and financial advisor, Nick Murray, once said, "there are no facts about the future." No one has a crystal ball into the future of markets, geopolitical rumblings, Brexits, or human behavior. Ignoring the day-to-day punditry and maintaining a long-term perspective is the best predictor of a successful outcome.

For Health Care in Retirement, Plan for the Unexpected

The subject of health care dominated the Democratic Party platform in the 2018 midterm elections. I am willing to wager it will be a hot topic in the 2020 election cycle as well.

Sen. Bernie Sanders and newly-elected Rep. Alexandria Ocasio-Cortez are advocating a "Medicare for all" plan. Of course, there is always a question of how to pay for the projected cost of \$32.8 trillion over 10 years. Currently, all federal individual and corporate tax revenues will not cover these costs.

Consumers of medical services are keenly aware of the deficiencies and inefficiencies that persist in the marketplace. It takes a medical degree and an expertise with Excel spreadsheets to evaluate the options for the Medicare Advantage Part D plans. I recently assisted my parents with making their 2019 carrier decisions. Even after signing on the dotted line, the second-guessing persisted.

Medicare Part D participants are the largest pool of prescription drug users in the United States. Yet, when the program rolled out, there was never a negotiation for lower drug prices. Go figure! Private insurance plans negotiate for lower drug prices all the time, but Medicare recipients have been paying the highest prices all along. The HHS Secretary under the Trump administration has made this a priority. One would hope this initiative gains bipartisan support.

The lack of physical activity in the U.S. adds nearly \$117 billion in annual health care costs, according to a report issued by the Health and Human Services Department. Between 2015 and 2016, about 93.3 million U.S. adults were considered obese. That's 40 percent of our population.

The numbers show, preventative care pays off. Perhaps a gym membership should be incorporated into our insurance coverage! Engaging in physical activity now may reduce medical costs later.

Health care is frequently one of the largest retirement expenses, averaging about \$300,000 for a married couple. Many people are not prepared for these costs, making health care a leading cause of bankruptcy. As humans, we possess a natural tendency to believe "it will never happen to me." I often hear, "We will cross that bridge when we get there."

Here is the problem with that logic: Once the "get there" arrives, the focus is on getting well. There is little energy left to strategize on how to pay medical bills. In financial health, like physical health, a little preventative care goes a long way. I urge everyone to add a "health care bucket" to your retirement savings. It will be a decision without regret.

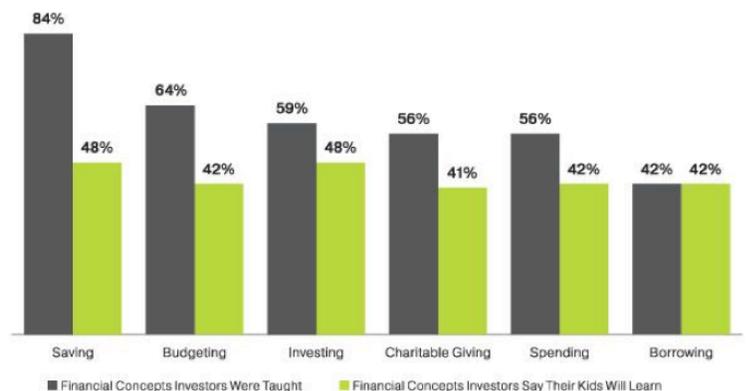


The *Greatest Gift* To Give in 2019 Is *Priceless*

A lot of time, money and effort is spent on getting a good paying job. However, few people spend commensurate time or attention on managing their income once they have that job. 2019 can be the year to begin changing this reality.

According to a survey conducted by Oppenheimer funds, 84% of respondents said they benefited in learning about the importance of saving for the future through direct guidance by parents, grandparents or third-party experts, such as financial advisors or accountants. This is especially true of the baby boomer generation. Yet in the same survey, less than 50% of those people plan on giving their children a similar financial education. They are also not planning to share financial wisdom in areas pertaining to budgeting, spending, and charitable giving. The chart below illustrates the results of the survey.

Investors Learned Finances from Family and Others Yet Less Likely to Pass Knowledge Along



Source: Oppenheimer Funds

In another research survey, 44% of respondents reported that they are extremely or very financially literate. Yet, when asked to take a financial quiz, fewer than half passed, and only 6% scored 90% or better. While this is an alarming disconnect, there are ways to improve these numbers.

Consider these key statistics that can be improved with the right financial education:

1

44% of Americans do not have enough money to cover a \$400 emergency. It is crucial to have 3-6 months' income in a highly liquid account for satisfying household expenses during an emergency situation.

2

38% of U.S. households have credit card debt. On average, they owe \$16,048 with an APR of 16.47%. Most people are unaware of the steep interest cost, or of strategies to lower interest rates and pay down the debt.

3

33% of American adults have \$0 saved for retirement. Even more alarming, 56% of American adults have less than \$10,000 saved for retirement. Our savings rate as a nation is terrifying, especially if you consider that Millennials will likely need between \$1.8 million and \$2.5 million to retire. In addition, we are living longer, healthcare costs are always rising, and pensions are a thing of the past.

Future generations would benefit greatly from a structured personal finance course, but only five states offer it as a curriculum requirement in high school. Financial lessons learned when young can reduce financial woes when an adult. It is probable that children will adopt similar patterns if parents possess poor financial habits. Learning about the differences between saving and investing, student loans and how credit works, career guidance, and forgoing unnecessary purchases are some of the most important money lessons for young people.

A great resource aimed at financial literacy for K-12 students is www.econedlink.org. The site is hosted by the Council for Economic Education. It provides resources of classroom-tested economic and personal finance lesson materials for teachers, parents, and students. Currently, there are over 435 webinars and videos available.

As parents and grandparents, committing a bit of time for financial discussions can be one of the best gifts a child can receive. Start them when the children are old enough to ask for everything they see in the toy department. Introduce concepts like budgeting, saving and giving to others. Teach them early about the perils of excessive debt.

Since we have just concluded the Christmas season, I would like to leave you with a line from a Dolly Parton/Kenny Rogers song titled "The Greatest Gift of All." They sang "peace on Earth, good will to men is the greatest gift of all." I propose a close second is giving and receiving financial guidance. It doesn't cost much, only a bit of time, but can pay big dividends in the long run. The greatest gift that families can give to younger generations is financial education, security, and confidence. It is a priceless gift that transcends generations.

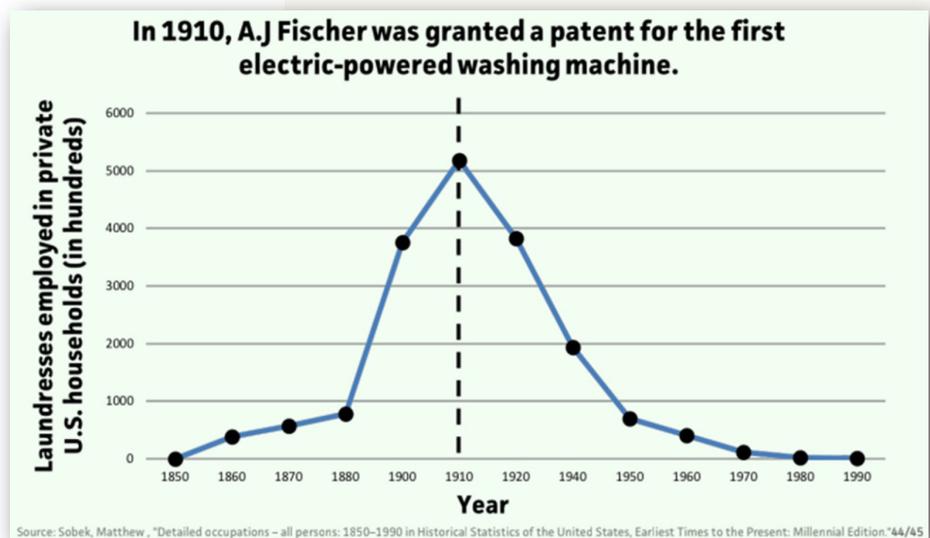
R. Mark Capobres, ChFC, CRC

MIND BLOWING FACTS

Americans spent **\$2.8 Billion** on health care in **1930**---
\$23 per person and **3.5%** of Gross Domestic Product.

In **2015** Americans spent about **\$3 Trillion**---
\$9,536 per person and **15%** of Gross Domestic Product.

Technology = The Disruptor



One hundred years from now, what industry might go the way of the laundress? Could the first autonomous cargo vehicle displace truck drivers?

A PERSONAL glimpse



Darla D. Main, CFP®
President and CEO

I have 37 first cousins. Only two of these are from my father's branch of the family tree. They, along with their families, live in WV. We decided to have a "cousins weekend" in Pittsburgh in mid-December. There is nothing like

having out of town guests to prompt us to visit the multitude of interesting spots in the city. Christmas is a magical time in Pittsburgh, launched every year with "Light Up Night" and topped off with "First Night" on New Year's Eve.

Market Square is filled with an European style Christmas market. PPG Place holds an incredible Gingerbread House competition near the outdoor ice skating rink. Of course, one can't miss a visit to the Cathedral of Learning in Oakland where the local guilds decorate the rooms in the tradition of their home countries. It is truly a "multi-cultural" experience not to be missed. The life size nativity creche at the U.S. Steel plaza is my absolute favorite.

With lively conversation over several cups of warm coffee and hot chocolate, lots of unhealthy food, and several steps logged on the FitBit, we declared the weekend an absolute success. We are already planning for the next time we gather. It may be in the mountains of WV, and our extended families may want in on the action!!



Mark Capobres, ChFC®, CRC®
Financial Planner Associate

Our family is in full swing for basketball season. My daughter Anna is playing travel basketball in the 6th grade and her team is doing great. Additionally, Anna is trying out for Pittsburgh Premiere Lacrosse. She is going up

against girls all over the area for a spot on her age groups team. My wife Nicole and I wish her luck! As for my son Ethan, he is playing travel basketball in the 4th grade. Nicole and I always ask him, "What is your favorite sport?" His answer is always the same, it's the sport he's playing! His team is off to a great start as well. They both love the competition and the camaraderie that encompass sports. In addition, I am coaching my son's 4th grade rec basketball team. Needless to say, our plates are full.

I had mentioned in the last newsletter that on many weekends with our kids' schedules we have to "divide and conquer." My wife and I each take a kid and head out to their respective games or tournaments. There are many Saturdays and Sundays that we leave the house in the morning and do not see each other until the evening. We are very creative in managing our time to make sure that we are still making time for church, family and friends. It is sometimes very tough to do, but we as a family wouldn't have it any other way.



Nancy Diel
Client Services

Seems like winter arrived early this year! A Nor'easter in November? Luckily, Jake just missed the winter storm after Thanksgiving when he returned to Iowa State University even though he had a layover in Chicago.

I am not looking forward to shoveling or driving in the snow!

My daughter, Abby will keep herself busy this winter with school, youth group, gymnastics, working and her newest adventure--the diving team of Bethel Park High School. This is a first, but her many years of gymnastics should aid in ramping up quickly.

My entire family visited for a week at Christmas. There were nine in total. We had a great time! A highlight was that we celebrated my Mom's 80th birthday by going downtown Pittsburgh to the Grand Concourse for a delicious Sunday brunch.

BUY OR SELL?

Tesla shares to plunge nearly 40% due to weak Model 3 production, Goldman predicts.

CNBC.com October 3, 2017

There's a new biggest Tesla bull on Wall Street: Analyst predicts 40% surge to \$500 in just 12 months.

CNBC.com October 4, 2017