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Resolute Connections

Welcome to the new, revised edition of *Resolute Connections*, the first issue of our financial newsletter since the merger of Resolute Financial and Azimuth Financial Planning. Our goal is to provide you with a monthly newsletter that touches on financial topics of interest ranging from investing, retirement planning, tax law, and general interest financial stories. You may also access our blog at, http://resolutefinancial.com/blog , where we will post short topical financial news, thoughts, and opinions.

In this August edition the four articles below discuss funding college in *Who Pays for College? Are They Getting Their Money's Worth*; whether the hyperventilating in the media over the Brexit vote is warranted in *Are Brexit Fears Overblown*; the folly of timing the stock market in *Riding the Coaster*; and the ins and outs of a power of attorney in *Not-So-Powerful Powers of Attorney*. If you have any questions about anything we have covered in the articles below, or a specific situation please feel free to give us a call, or visit our website, www.ResoluteFinancial.com .

Who Pays for College? Are They Getting Their Money's Worth?

According to the Student Loan Marketing Association (more commonly known as Sallie Mae Bank), the average tuition, room and board at a private college comes to $43,921. Public tuition for in-state students at state colleges amounted to $19,548, with out-of-state students paying an average of $34,031.

How are parents and students finding the cash to afford this expense?

Sallie Mae breaks it down as follows: 34% from scholarships and grants that don't have to be paid back, coming from the college itself or the state or federal government, often based on need and academic performance.

Parents typically pay 29% of the total bill (an average of $7,000) out of savings or income, and other family members (think: grandparents) are paying another 5%.

The students themselves are paying for 12% of the cost, on average.

The rest, roughly 20% of the total, is made up of loans. The federal government's low-interest loan program offers up to $5,500 a year for freshmen, $6.500 during the sophomore year, and $7,500 for the junior and senior years. If that doesn't cover the remaining cost, then students and parents will borrow from private lenders. The average breakdown is students borrowing 13% of their total tuition costs and parents borrowing the other 7%.

Is the cost worth it? The Federal Reserve Bank of New York recently published a report on the labor market for college graduates. The conclusion, is that younger workers have experienced much higher unemployment rates than their college graduate peers—the figures currently are 9.5% unemployment for all young workers, vs. just 4.2% for recent college graduates. Overall, the unemployment rate for people who have graduated with a 4-year degree is 2.6%, and even during the height of the Great Recession, it never went over 5%.

And income is higher as well. The average worker with a bachelor's degree earns $43,000, vs. $25,000 for people with a high school diploma only. The highest average incomes are reported for people with pharmacy degrees ($110,000 mid-career average), computer engineering ($100,000), electrical engineering ($95,000), chemical engineering ($94,000), mechanical engineering ($91,000) and aerospace engineering ($90,000).

Lowest average mid-career incomes: social services ($40,000), early childhood education ($40,000), elementary education ($42,000), special education ($43,000) and general education ($44,000).

Among the lowest unemployment rates: miscellaneous education (1.0%), agriculture (1.8%), construction services (1.8%) and nursing (2.0%).

Yes, there are some themes here, and of course people in every career can fall above or below these averages. Nor does everybody who graduates with a particular degree end up in a career that tracks that degree. (Of particular note: the list does not include a financial planning or investment advisory degree.) The point is that despite the cost, a college degree does seem to provide significantly better odds of getting a job, and getting paid more for the job you do get.

Riding the Coaster

With the benefit of hindsight, we can see that it would have been a bad idea to sell your stock holdings after the Brexit vote; you would have locked in a 5% to 10% loss in a market that eventually trended upward to new record highs. The same is true of the aftermath of the World Court decision that slapped China in the face by declaring that man-made islands don't transform an ocean into territorial waters, the attempted coup in Turkey, or, really, any other alarming headline which doesn't materially affect a company's ability to run its operations.

But the bigger issue is that, even if you think you know how the markets are going to react to a particular event, you still can't time the market. How will you know when the quick-twitch traders will settle down and it's time to reinvest? After the Brexit vote, it took a weekend for investors to realize that this was Britain's problem, not theirs. It could have taken a month.

The same is true for the late summer/early fall time period that we're heading into now. Historically the months of August, September and October have seen bigger highs and (most alarmingly) also deeper lows, on average, than other months. This additional volatility seems to be random, and is, once again, impossible to time. People who decide to sidestep the late summer and early fall would miss out on average yearly gains for September and October of 1.05% and 1.21%. (Skipping August would have saved you modest losses of less than 1%, on average, but one suspects that this is a statistical anomaly.)

Finally, biggest picture of all, the current bull market, which started March 9, 2009, has now become the second-longest bull market on record, beating the June 1949 to August 1956 rally. It is second only to the December 1987 to March 2000 advance. In terms of percentage change, we are experiencing the fourth strongest bull market on record.

Doesn't that mean it's time to take our chips off the table? If we knew how to time the market, if we could be sure that the market run won't continue for another few years, then the answer would be yes. But with the economy continuing to churn out positive GDP, with inflation low and unemployment continuing to fall, it's hard to see what would cause U.S. stocks to be less valuable in the near future than they are today. Meanwhile, once again, even if we did exit, how would we know when to get back in? Investors who bailed during the 2008 downturn missed much of the surprise upturn that began this current bull run. Those who hung on more than made up for their losses, even though it seemed like every year would be the bull market's last.

It's nearly certain that there will be a lot of scary headlines between now and the end of the year, and it's possible that the investment roller coaster is about to get bumpy. All of us wish that we had a working crystal ball to help us navigate through uncertainty, but all we have is the historical record, which says that after the next downturn, the market will eventually experience a new high. We want to be there to celebrate it.

Are Brexit Fears Overblown?

In the wake of the so-called "Brexit" vote in the United Kingdom, and the possibility (though not the certainty) that the U.K. will leave the European Union, you're likely reading a lot of alarmist stories about the vote's impact on the U.S. and your portfolio.

Don't believe half of what you read.

Here are some of the most alarming headlines, and the reality behind them.

1) The Brexit vote has already caused a stronger dollar, which will hurt U.S. exports.

True, the dollar gained dramatically against the British pound, which means exporters to the U.K. might be more than a little bit less competitive than they were a couple of weeks ago. But the U.K. only accounts for 0.5% of total U.S. exports. And there is no reason why the dollar should appreciate in strength against the euro, yen or other global currencies simply because the U.K is less likely to remain in the European Union.

2) The confusion around Brexit will cause turmoil in the stock market because, well, investors hate uncertainty.

When was the stock market NOT in turmoil over one thing or another? When have investors NOT hated uncertainty? We've been uncertain about the Fed raising interest rates for the better part of two years, and also about how long interest rates will continue falling, credit and stock market problems in China and Japan's economic woes for two and a half decades. Let's just add Brexit to the list and move on to the next so-called "crisis."

3) Brexit signals the imminent collapse of the European Union.

Remember this prediction a year or two down the road, and realize that sometimes 'journalists' should be renamed 'alarmists.' The reality is that the U.K. vote has forced the bureaucrats in Brussels to come face-to-face with the unrest caused by their costs and their stifling policies. There are already indications that the EU members will come together and make decisions that would head off other "leave" movements in France, Spain, Italy and Greece. In fact, in the next few weeks, we will almost certainly see the EU relax one of its rules and allow the Italian government to recapitalize its ailing banking system with public funds. Would that have happened pre-Brexit? It's doubtful.

4) Brexit will force the Fed to rethink raising interest rates in the U.S. economy, for fear it would trigger additional market volatility, and a concern that the U.S. might slip into a recession.

Lower interest rates for a few months longer is a BAD thing? And it's not unexpected; after all, the Fed entered the year with a firm plan to raise rates four times, and then, pre-Brexit, scaled the plan back to one rate rise.

We may have to live with low interest rates for another year. Somehow we'll survive.

5) U.S. investment in the U.K. will decline.

It's true that if the U.K. does apply for exit under Article 50 of the Lisbon Treaty, U.S. companies that have significant operations on British soil, primarily to take advantage of tariff-free exporting to the EU nations, might start checking out office space in Frankfurt or Dublin. But there's plenty of time to make that transition. After the U.K. sorts out its government, it may notify the EU that it's leaving, and after that, even the most optimist estimate suggests that the full details of leaving, and any new tariff regime, are at least two years down the road. Nor is it a sure thing that there WILL be higher taxes on exports from the U.K. to the continent.

The main point here is that there is a lot of alarmist speculation and short-term thinking about a long-term phenomenon that will require years to play out. People who sold in a panic (including a lot of Wall Street traders) right after the Brexit news hit the Internet have egg on their face and real losses in their portfolios. The news media seems to want more of the same.

Not-So-Powerful Powers of Attorney

Everybody should have a power of attorney—that is, a legal document that gives a designated individual the right to act on their behalf when making financial decisions. The power of attorney is most often used by adult children to make decisions on behalf of aging parents when they are no longer capable of making sound decisions on their own.

The most common decisions that the adult children will make relate to money, and this is beginning to cause problems in some states. Banks are starting to see cases where the power of attorney is abused by adult children seeking to enrich themselves at their parents' expense—a form of elder abuse that Alzheimers suffers are particularly vulnerable to. Wary of being held liable for customers' losses, some financial institutions have stopped accepting power of attorney documents. In some cases, adult children with the best intentions have had to take legal action to enforce a document executed and followed in good faith.

How can you prevent these misunderstandings in the first place? A standard durable power of attorney gives the son or daughter the authority to act on the parent's behalf immediately after the document is signed. A "springing" power of attorney, on the other hand, doesn't generally give the child that authority until the

parent becomes incapacitated. Most power of attorney documents are of the "springing" variety, which can create extra complications for adult children: they have to obtain a statement from a physician certifying that the parent is incapacitated. Recent medical-privacy laws can make it difficult for the physician to communicate this information without authorization, leading to a legal Catch 22. The durable power of attorney encounters no such problems.

Financial planners can identify what their clients' banks and brokerage firms require in the way of documentation, and in some cases, the power of attorney document's language can be amended according to the terms their lawyers prefer—although most advisors counsel against a clause that the bank may ask for, waiving the right to sue if something goes awry.

If a bank or brokerage firm rejects a legitimate power of attorney, ask to speak to a supervisor, or try another branch. Also recognize that some states require financial institutions to accept a power of attorney unless they have reason to report suspected abuse to authorities or are aware that someone else has done so. These laws, in some states, require financial institutions to pay costs families incur to hire an attorney to enforce the power of attorney that was rejected.

The basic point is to recognize that simply having a lawyer draft a general document may not be enough to accomplish what the power of attorney is designed to do. It helps to get professional advice on the practical applications of the power of attorney document.

For more information on these topics or for a free consultation, contact Resolute Financial, LLC at (978) 463-8771 ext. 1003.

Resolute Financial, LLC is an independent Fee-Only Financial Planning and Investment Management firm based in Newburyport, MA with offices in Chelmsford and Lynnfield, MA along with Portsmouth, New Hampshire. The principal financial advisors are all Certified Financial Planners (CFP®) and are members of the National Association of Personal Financial Advisors (NAPFA) an organization of fee only financial planners. As fee-only advisors we are not paid commissions or fees of any kind by any product provider, mutual fund, or insurance company; we are paid solely by the client. This allows the firm to work for its clients in a fiduciary capacity; therefore, we will act in good faith and in the best interests of the client at all times as required by the NAPFA Fiduciary Oath we have signed. This newsletter contains general information, and is not intended as individual advice.