Fee Only Financial Planning & Investment Management

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Resolute Connections

In the February newsletter we address some topics that have been in the news frequently recently, and timely for some of our clients. The article *Not If - When* addresses the frequency and depth of bear markets under different presidents; news alert - there isn't a strong correlation between who is in charge, Democrat or Republican, and the US stock market drawdowns. In *How to Reset Your Portfolio (Regardless of What You Think of the Markets)* we address some of the questions that have come up post-election due to the Dow Jones Industrial Average hitting 20,000, or whether one's candidate did or didn't win the election.

Protecting your Parents – Financially, touches on a difficult subject for some: how to deal with aging parents whose financial judgement may be degrading with age. *The 25 Worst Passwords* speaks for its self.

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.

Not If - When

You're starting to hear people talk about "if" there's a bear market during the Trump Administration, when the real truth is they should be talking about "when." And it won't necessarily be triggered by a poorly-worded tweet, a global-trade-stopping new tariff regime or tax and entitlement reform. Every presidential cycle has its share of market drawdowns, seemingly regardless of presidential policies.

You don't believe it? The accompanying chart shows the worst stock market drawdowns for every president since Herbert Hoover in the 1930s, and you can see that good president or bad, Republican or Democrat, they all eventually experienced significant down markets.

President	Inaguration Date	End of Term	Worst Stock Market Drawdown
Herbert Hoover	Mar. 4, 1929	Mar. 3, 1933	-86.19%
Franklin Roosevelt*	Mar. 4, 1933	Jan. 19, 1937	-33.93%
	Jan. 20, 1937	Jan. 19, 1941	-54.47%
	Jan. 20, 1941	Apr. 11, 1945	-28.79%
Harry Truman	Apr. 12, 1945	Jan. 19, 1949	-28.47%
	Jan. 20, 1949	Jan. 19, 1953	-14.02%
Dwight Eisenhower	Jan. 20, 1953	Jan. 20, 1957	-14.43%
	Jan. 21, 1957	Jan. 19, 1961	-20.66%
John F. Kennedy*	Jan. 20, 1961	Jan. 19, 1965	-27.97%
Lyndon Johnson	Jan. 20, 1965	Jan. 19, 1969	-22.18%
Richard Nixon**	Jan. 20, 1969	Jan. 19, 1973	-34.73%
	Jan. 20, 1973	Jan. 19, 1977	-47.32%
Jimmy Carter	Jan. 20, 1977	Jan. 19, 1981	-17.07%
Ronald Reagan	Jan. 20, 1981	Jan. 20, 1985	-25.30%
	Jan. 21, 1985	Jan. 19, 1989	-33.51%
George Bush	Jan. 20, 1989	Jan. 19, 1993	-19.92%
Bill Clinton	Jan. 20, 1993	Jan. 19, 1997	-8.94%
	Jan. 20, 1997	Jan. 19, 2001	-19.34%
George W. Bush	Jan. 20, 2001	Jan. 19, 2005	-43.46%
	Jan. 20, 2005	Jan. 19, 2009	-51.93%
Barack Obama	Jan. 20, 2009	Jan. 19, 2013	-22.60%
	Jan. 21, 2013	Jan. 19, 2017	-14.16%
Donald Trump	Jan. 20, 2017	???	???

*Lyndon Johnson sworn in Nov. 22, 1963
**Gerald Ford sworn in Aug. 9, 1974

What the chart doesn't show, but you know already, is that after every single one of these scary drops, the markets recovered to post new highs, which we're experiencing today. So don't listen to anybody who talks about "if" the markets are eventually going to go down sometime in the next four years. We're going to experience a bear market—time, date, duration and extent unknown. And then, if history is any indication, we'll see new highs again eventually.

Protecting Your Parents — Financially

People reach their peak decision-making abilities sometime in their 50s, and then decline slowly until after age 70, when the decline starts to take off more dramatically. This helps explain why sweepstakes frauds, Nigerian investment schemes and other scams target seniors and retirees.

What can you do to protect yourself—or your parents—from fraud and bad financial decisions? An article in NerdWallet suggests that parents and children can start by drafting powers of attorney, one for health care decisions and the other for financial decisions. This lists who the retirees want to speak for them in case they become incapacitated.

You can also simplify the financial lives of aging parents, by consolidating the checking accounts at one bank, and the investments at a single advisor or brokerage account. If there are many credit cards, cut up all but two: one for daily purchases and one for automatic bill payment.

The adult children should also make a habit of communicating with their aging parents. Scam artists do their best work when their victims are isolated, without family and friends looking for signs of exploitation. A weekly visit might help you spot the variable annuity salesman who's getting too friendly.

Some places to learn about the more creative elder fraud schemes include StopFraud.gov, AARP's Fraud Watch Network and the IRS, which offers consumers alerts and an annual list of the "Dirty Dozen" top tax-related scams. Adult children can discuss common frauds, such as telephone imposters pretending to be IRS agents or Microsoft tech support.

Meanwhile, many financial institutions offer text or email alerts to notify their customers (and their advisors) of unusual account

activity. People over 65 can have these automatically forwarded to an adult child who functions as an extra pair of eyes on what's going on in the account.

For many older retirees, there comes a point when the financial issues become too complex and overwhelming. That's the time to have a trusted successor or advisor take over the management of finances. The best advice here is: don't resist giving up the day-to-day financial minutia. Experts report that most older Americans don't recognize their gradual impairment, and often try to hang onto financial control beyond their capacity—and then hide the fact that they fell for a scam out of embarrassment until the next one comes along.

The 25 Worst Passwords

How secure are the passwords you use to access your banking or investment data? A recent article in Forbes magazine surveyed security company SplashData's password dumps, looking for the world's most common—and, therefore, easiest to guess—passwords. This is a big problem; SplashData estimates that just over 10% of people use at least one of the 25 most common passwords. Guess which words hackers and cyberthieves are going to guess first when they try to hack into the account that contains your banking information?

The most common password, as you might have guessed, is 123456, which also happened to be the most common in 2014 and 2015. Other popular passwords were 1234, 12345, 1234567, 12345678, 1234567890. Also, for some reason, 121212 became popular in 2016.

The list also includes the old standby "password," and "password1" (selected by people who discover that somebody else is using "password" so they can't use it). Others on the most common list include "querty," "login," "welcome," and "admin." Among the old favorites, SplashData lists "football," "princess," "solo," "abc123," "dragon" and "master."

New words making the top 25 this year include “hottie,” “loveme,” “sunshine,” and “flower.”

If you use any of these words, you might want to make a change now, before a hacker decides to route some of your money to an undisclosed offshore location.

How to Reset Your Portfolio (Regardless of What You Think of the Markets)

Over the last few weeks, professional financial planners have been fielding calls from clients who are asking the kinds of questions that every professional investor hates to hear. The Dow has reached (and then fallen back below) 20,000. Should I take money off the table?

My preferred candidate didn’t win the election, and I think the world is going to hell in a handbasket. Don’t you think I should sell my stocks now before it’s too late?

The first question is the easier one to answer. It seems to be human nature to have a strange fascination with round numbers. Why should Dow 20,000 be any different, from a pure investing standpoint, than Dow 19,774.83 or Dow 20,093.65? The questions about this magic number become even sillier when you realize that the Dow is made up of just 30 out of many thousands of American-based companies.

As to the second question, the real issue is the eternal question: what’s coming next in the markets? The only truthful answer to that question, however it’s phrased, is: *we don’t know*. As investors, we need to take that answer very seriously.

After President Obama was elected, financial planners were fielding questions from their angry and frightened conservative clients, who were asking to bail on their stock portfolios in anticipation of the country going to hell in a handbasket. But ask yourself: how did that

work out? Those investors would have missed the longest running bull market in memory.

Then, for the last five years at least, the experts were certain that bond rates were just about to rise dramatically, and many professional investors stayed ultra-short to avoid the losses. How did that work out? Bonds stayed where they were for five more years, and those investors missed out on percentage points of additional yield.

For the last four years at least, people have been saying that the current bull market is long in the tooth, what with the markets testing new highs. Over and over they felt like it was a good time to take their winnings off the table. How did that work out? They would have bailed before the markets repeatedly broke record highs.

So now we have a situation where the other half of the country is still reeling from the election results and predicting that the country is going to hell in a handbasket. Advisors are doing everything they can to keep clients from acting emotionally rather than rationally.

The rational way to frame the question about taking money off the table is: *can you afford to lose some percentage of your assets*—and that percentage figure depends on how aggressive your asset allocation is — *before the markets recover? Will you have time to recover?*

If you're decumulating in retirement, or just approaching retirement, that percentage you can afford to lose will be lower than it would be for a millennial investor or somebody late in retirement. Whatever that amount is, you should look back historically, take a hard look at the darkest days for your particular mix of assets, and note the times it breached that floor: hint, check out early 2009. Then see if you want to change your allocations to something more conservative.

If you CAN afford to dip down as far as your current portfolio would seem to allow, then you will inevitably be rewarded by new market highs at some point after the bear (and there *will* be a bear) is over.

Source:

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

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