[VINTAGE] FINANCIAL SERVICES, LLC

On the [MONEY]

Registered Investment Advisor | www.VintageFS.com | Summer 2015 Vol. XXXI No. II

From the Grapevine...

Summer is here and that means the Vintage Top of the Fair party is coming soon! This year the date will be Wednesday, July 15, the opening night of the Ann Arbor Art Fairs. Our offices overlook one end of the huge fair and our balconies are a prime spot to watch the crowds below.

If you are one of our clients, you'll get an invitation soon. If you're not, and would like to attend, please RSVP to RSVP@VintageFS.com or call our office at (734) 668-4040. We're expecting another large turnout and may need to cap the number of guests this year.

Frank Moore and Jim Burns headed to San Diego in May for the NAPFA West conference. The conference included Daymond John of Shark Tank and many sessions on financial planning topics. Frank is taking on the role of Chair of NAPFA and he began leading the strategic planning process there and will oversee another meeting in Chicago in July.

FIND YOUR WINDFALL

Have you ever reached into your jacket pocket and found a twenty dollar bill you forgot about? It's kind of a nice surprise. If you'd like to search beyond your wardrobe, there's a website that can help you find funds that may be yours, but are held by the state now.

If a company has your funds, but can't find you to give it back, they eventually must turn it over to the state in a process called escheating. Most states make the funds easy to find via a website search, but MissingMoney.com helps you search many states at once and provides tips on how to claim your property or funds.

There are many ways you may lose track of your funds or accounts including uncashed checks, wages, insurance policies, stocks, bonds, mutual funds, or deposits on apartments, utilities or escrow accounts. And in today's digital age it's easy to lose track of a bank account if you've gone paperless, had your computer crash and have moved.

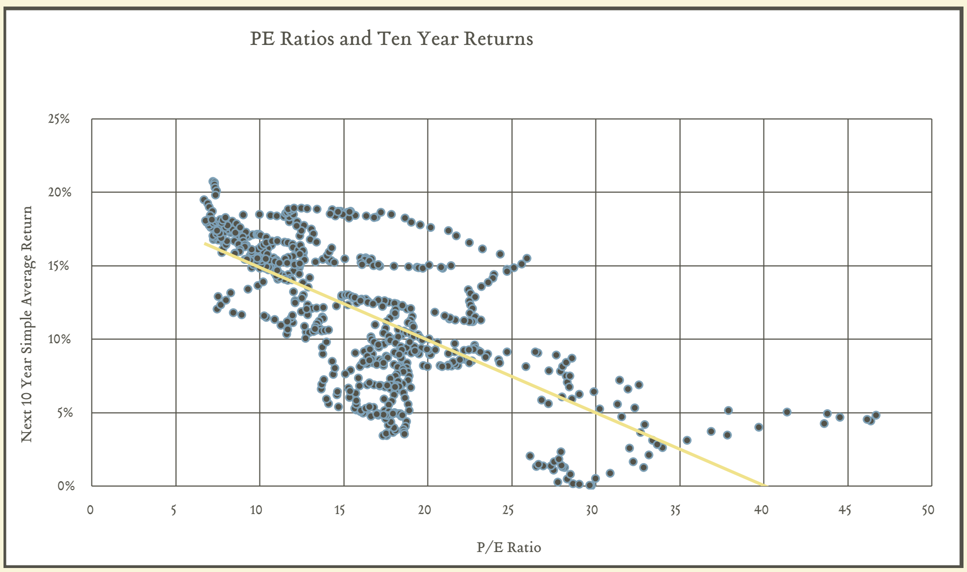
The MissingMoney.com site can also help if you are contacted by a service that claims to have found your funds, but wants a significant share of it as a finder's fee. Before you engage them, see if you can find the unclaimed property yourself.

Each state has their own process for claiming your property, but MissingMoney.com makes it easy by providing you with the state specific form or contact information. And it's free!

BELOW AVERAGE RETURNS AHEAD?

It's no secret that bond and money market yields have been near record lows in recent years. Fortunately, the stock market has offered investors outstanding returns with the S&P 500 index averaging over 15%, including dividends, over the six years through March 31st.

Those gains came off of a market low in 2009 and are much higher than the long term average annual gain of the blue chip stocks of about 10%. While stocks still look relatively attractive compared to bond yields of just over 2% today, their valuations suggest that future returns may be below their long term average.



As of the beginning of May, the PE ratio of the S&P 500 was about 21 times the last twelve month's earnings. That translates into an earnings yield of about 4.75%, well below the longer term average. Though there are many variables that will affect stock returns in the future, a look at the past shows that stock returns have generally turned in below average gains for the next decade when PE ratios climb this high.

The blue dots in the graph illustrate the simple average annual gain for the S&P 500 vs. the starting PE ratio. The yellow trend line tries to make some sense of the graph. While the dots are all over the graph, the best returns tend to come by buying at a low initial PE ratio and some of the worst returns come from buying at high PE levels.

If you follow today's PE of 21 up to the yellow trend line, the graph suggests that returns are likely to be somewhat below average for the next decade. While the simple average is just below 10%, the compound average return would be closer to 8%.

The chance of lower stock returns combined with near record low yields for bonds, money market funds and REITs, means investors should adjust their retirement planning assumptions to reflect the lower rate environment.

For instance, a portfolio invested 70% in the US large cap stocks and 30% in high quality bonds might produce average annual gains of just 6.2% in the decade ahead ((70% x 8%) + (30% x 2%)). Fortunately, inflation is also below its longer term average and current market expectations are that it will remain around 2% or less in the coming years.

The lower than average outlook also calls into question the "4% rule" for retirement planning, which is based on average returns.

At Vintage, we're taking the lower return outlook into account in advising our clients regarding their retirement income plans.

NEW INVESTOR PROTECTIONS?

The Department of Labor, with support from the Obama administration, has recently proposed a rule that would help protect investors. The proposed rule would make financial advisors that provide advice on retirement plans, including IRAs, subject to a higher fiduciary standard.

The rule, first proposed back in 2010, has been fought vociferously by Wall Street and the insurance industry. They would much prefer that their salespeople **not** be in a position where they had to look out for their client's best interests.

Back in February, President Obama referenced a White House study that asserted that the current commission-conflicted advice provided by Wall Street and the insurance industry is costing Americans about $17 billion per year. So it's pretty clear why the stockbrokers and insurance agents are upset.

Today, roughly 90% of the country's "financial advisors" are licensed to receive commissions on securities and/or insurance products. While many of these salespeople attempt to put their client's interests first, their primary allegiance is to their employer. The conflict comes not from the fact that they receive commissions, but that they are paid varying commission amounts by different products. Not surprisingly, the most expensive products pay the highest commissions.

At Vintage, we don't accept commissions and simply work directly for our clients. Frank Moore, the firm founder, is active with NAPFA, the National Association of Personal Financial Advisors, which requires members to work on a fee only (no commission) basis. NAPFA supports the DOL intent with the new rule, but cautions that it still allows commission compensation, which may prove problematic.

IN HONOR OF DAVE

David Letterman, who popularized the Top Ten List, recently retired after hosting his show for over 33 years. And it's graduation season. So here's our Top Ten List for New College Graduates.

10. Find a job. Not just one that is easy and politically correct, but one that will support you in the lifestyle you'd like to live.

9. Make a long term financial plan. If you've got a lot of student loans, establish a plan to pay them off, especially if the interest rate is high. And then, direct those payments to your retirement account.

8. Learn about compound interest. Saving even a little now can become a lot in 30-40 years.

7. Get a credit card. Use it wisely and pay it off most every month. It will build your credit rating for when you need a loan.

6. Start a savings account for an emergency fund.

5. Track your expenses in Quicken or another app. It's easier than budgeting and can show you where your money went.

4. Consider a Roth IRA or 401(k). You are probably in a lower tax bracket now.

3. Live within your means. It will reduce financial stress which is invaluable.

2. If you change jobs don't cash out your 401(k).

1. Put all your retirement savings into stock funds. Long term money should be directed to funds that give you the best long term return.

VINTAGE FINANCIAL SERVICES OFFERS

Fee only investment management, financial planning, and tax preparation.
Minimum portfolio $500,000 (401(k) balance may count toward minimum).

For a no charge, no obligation initial interview please call our office at (734) 668-4040 or (800) 666-9237 or e-mail:

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Or visit our website at www.VintageFS.com

- Retirement Planning
- Education Funding
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Plan to succeed.

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